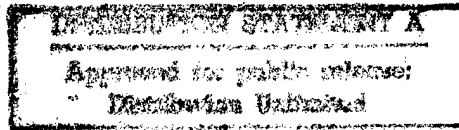


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JPRS 82394

6 December 1982



# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2345

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6 December 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

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LER LEADS DISCUSSION ON PLANNING, FORECASTING UNDER SET OF MEASURES

Prague RUDE PRAVO in Czech 19 Oct 82 p 3

[Discussion moderated by Leopold Ler, minister of finance of the CSSR and chairman of the Government Commission for Questions of Planned National Economic Management, and edited for publication by Svatopluk Smutny and Jan Tihlarik: "The Goal Is To Forecast Future Development; A RUDE PRAVO Discussion on the Impact of the Set of Measures on Planning"]

[Text] National economic planning is among the most demanding of activities. For this reason, the Set of Measures for Improving the Planned Management System of the National Economy places greater than normal emphasis on an increase in the quality of all planning processes. Good planning above all presumes a proper understanding of its purpose. A good plan is not merely a list of indicators but rather an educated forecast of future development, the motivation to move forward in national economic development to a certain level in our republic, as well as in relation to Europe and the world, depending on whether one considers the plan for an enterprise, an economic organization, or the state plan. Thoughts along these lines were presented as an introduction to the discussion of the impact of the Set of Measures on planning, which was organized by the editorial offices of RUDE PRAVO.

In addition to comrades Leopold Ler, CSSR minister of finance and chairman of the Government Commission for Questions of Planned National Economic Management, and Vladimir Janza, minister and first deputy chairman of the State Planning Commission, this RUDE PRAVO discussion also included Ludek Blazik, economic secretary to the director of the Brno Smeral Factories, national enterprise; Frantisek Fafejta, manager of the prototype workshop of the Prague Laboratory Instruments, national enterprise; Josef Krepinsky, a foreman of Pardubice Surface Construction, national enterprise; Frantisek Rainberg, director of Pardubice Surface Construction, national enterprise; Vaclav Jelinek, a planner at the Brno Smeral Factories, national enterprise; Richard Kneifel, economic deputy of the director of Prague Laboratory Instruments, national enterprise; and Milan Selucky, manager of the planning division of the Olomouc Sigma VHJ [economic production unit].

[Question] What has changed in the realm of planning?

[Answer] M. Selucky: Even prior to the introduction of the Set of Measures, we had established a pattern of long-term planning at our Sigma concern in the interest of increasing efficiency and quality. We have implemented and are practicing 3-year sliding planning in the fields of production, technology and investment, and within the framework of a knowledge of the tasks dictated by our fundamental objectives. It is important for the coordination and inter-relating of projects that we be certain that we are able to assure plan targets. This has proved useful, because the Set of Measures emphasizes long-term planning.

Counterplanning is another area to which we have devoted attention. It is a significant mobilizational element. After initial successes, in terms of the number of organizations which signed up for counterplanning for 1981 and 1982, there is now a dampening of interest. In my view, this is connected with the fact that there are certain risks inherent in the material assurance of tasks in supplier-consumer relations. We are projecting, nevertheless, that roughly half of our enterprises will come up with a counterplan for 1983.

A third point which I would like to emphasize is that we are trying to increase the quality of our planning system not only for our annual and 3-year sliding plans, but also in the integration of everything now in the technical development stage that is destined to be put into production and to have an impact on the raising of qualitative indicators.

Ler: From what our comrade from Sigma has just said, it follows that the proper understanding of planning is not as a list of indicators, methodological guidelines, directives, indices and the like, but as forward movement, as an effort to achieve a higher level at home, in Europe and in the world. This is the way that all managerial employees must understand planning. They must know whom we wish to overtake, whom we wish to pass by. In short, they must see ahead, have their own motivation. It is, therefore, necessary to organize planning activities in such a way that they express the urge to win, over the long term, gold medals at the Brno and other trade fairs, but also to sell effectively both at home and abroad. This is the way things should be everywhere, gradually but as soon as possible. We must also assist in this through compensation, financing, and price policies. But I repeat, planning properly understood is not some kind of rigid approach by the rules, but a forward-moving process demanding foresight and commitment.

F. Rainberg: The Set of Measures has meant great creative problems for us, because we have had to move to a qualitatively different type of planning than in the past. And we are still thinking it out today. Planning in industry and in construction is often equated, and this is a mistake. Construction, basically, is piece work implanted on individual conditions. According to the regulations of the Set of Measures, we are racking our brains as to how to shift to piece work in construction and develop it creatively. There are few sectors where a product is on the drawing board for several years, but this is the case in construction, of where the product itself may be implemented over another several years. We are aware that we have reserves and that we must develop them in the future. But how is one to create reserves when there is no real

long-term capital investment? For us to conscientiously cultivate and utilize our reserves, we would have to know the production program at least 5 years in advance.

I think that the Set of Measures opened up an important opportunity for builders. With certain changes, construction is organized the way it was 30 years ago, even though in the interim it has made a gigantic technical leap.

R. Kneifel: At our firm, the Set of Measures meant a significant stimulus to our approach to planning. I think, however, that the implementation of the Set of Measures is more complex at higher management levels. At the centers, probably not much has changed and they continue to use the index technique. And despite the fact that we provide hundreds, thousands of pieces of information about the firm, this seems little taken into account in the plan breakdown.

Within the firm we supplement tasks with others, discuss them at production conferences, obtain more precise preliminary information. According to this we can, for example, evaluate the contribution of technology and the quality of the efficiency analysis of individual products. The director, the technicians and any manager has these figures at his disposal. The Set of Measures, then, has brought us to the point where we have uniform foundations. We have put our house in order. It has been very successful and has brought about the awakening of considerable initiative at the firm. Our percentage of progressive products is also increasing because we are not missing any deadlines. Because of our cooperation with the Academy of Sciences, our products are technically state of the art, and we are winning gold medals for them at trade fairs.

F. Fafejta: Last year we received a gold medal for the PA 3 polarographic analyzer. Right now in the workshop we are preparing a system for export to the FRG for DM 14,000. We have already provided them with two previous models which are functioning reliably and concerning which there have been no complaints. I want to emphasize that we do not export tons of material, but human labor. Matters are somewhat worse in terms of servicing. Even though we have people ready, some time inevitably passes before they get the needed approvals for travel.

L. Ler: We are doing everything to foster technological development, to increase export performance. Clearly, this also includes service, and it is essential to assure that we can provide it flexibly. A customer is not interested in whether it takes a short or a long time for a service technician to secure the travel permission.

R. Kneifel: But at present this takes a long time, and our competition is better prepared in this respect.

L. Ler: Then this must be changed. Certain shortcomings stem from a lack of awareness of what is causing difficulties. Once I was at an enterprise and the director complained that he did not have design engineers because he had received job descriptions for technicoeconomic employees. This is a mistake. We are reducing administrative tasks, but there is no job description for technicoeconomic employees. A contract at the VHI or ministry simply misunderstood. A director can hire as many design engineers as he wishes.

V. Janza: Both in this discussion and generally as well there has recently been sharper criticism of the plan and of planning. As a professional planner, I do not want to minimize the shortcomings which exist in our work. Certainly in our work, as everywhere else, there are more than a few of them. We are aware of them and are creating the preconditions for their elimination. Perhaps we are not resolving these shortcomings rapidly enough, which is mainly due to the fact that we are struggling against deep-seated practices, routines and habits. To effect change means above all to fight against the stereotyped thinking of people, and this is not always easy. Shortcomings in the planning process, however, must not lead to a negation of the plan and its tasks in a socialist society. The current period, in fact, is demonstrating the advantages of a planned economy, within which we are maintaining control of the complex conditions of economic development without the social disruptions which are normal occurrences in Western economies. Criticism of the plan and of planning is not always justified.

The plan is not only a compilation of tasks and constraints, but represents in its entirety a certain direction and objective for economic policy. The achievement of these objectives requires the creation of essential preconditions in the course of the formulation or implementation of economic plans within economic plans within economic organizations. Criticism of the plan is not justified in cases where these preconditions are not created within the responsible economic organization that is arguing the infeasibility of the plan. For example, it is necessary to save fuel and energy and the plan contains tasks of this type. The precondition, let us say, is a certain investment project which, however, the economic organization has not assured. In this case, I consider a criticism of the infeasibility of plan tasks related to fuel and energy conservation to be unjustified, and not only unjustified.

For some time now, we have been speaking of the substantial worsening of the economic conditions for the development of our economy, above all our foreign relationships. Data are well known on the development of world market prices, which have a very unpleasant effect on our economy with its highly developed processing industries. The sole path to a resolution of our problems under these conditions is greater efficiency for our economy, i.e., increased conservation and a higher valuation of raw materials, materials and energy, greater labor productivity, improved capital-asset utilization, the achievement of better price relationships between imports and exports, etc.

We are mastering the above areas gradually and in a planned fashion, even if not always in a way corresponding to the needs of social development. From this viewpoint, plan tasks are uniformly more difficult and complex than in preceding periods. This, however, is not the fault of the plan, but stem from the objective necessity to react, through the plan, to the actual conditions of our economic life. Because these conditions are more demanding, plan tasks must also be more demanding. We cannot only repeat continually "As We Work, So Will We Live," but we must behave this way as well. If the preconditions for maintaining living conditions are more demanding, then we must also be more demanding of the results of our work.

In a market economy, every economic entity must come to terms itself and individually with price increases, with increases in interest rates and credit, with competitive conditions, and the like.

In a planned economy we have the advantage of overcoming difficult conditions which arise with common efforts, implementing strategies through comprehensive measures, adapting the entire economic mechanism to assure plan implementation.

However, the plan cannot resolve the demanding conditions of the world economy with some kind of magic wand, or through nondemanding plan tasks. I also consider criticisms of the plan along these lines as unjustified.

F. Rainberg: I also cannot stand it when general statements are made, when it is said that the plan is bad. Yes, there are mistakes in the plan, but these are caused by the apparatus that exists between upper management and the workplace. We attempt to discover mistakes in time, but many people proclaim numbers to be accurate and are not willing to talk about them. And this attitude damages our common endeavor. It is not easy to recognize an error when an enterprise director receives a plan from the general director. He will not recognize it immediately, but when I give the plan to a foreman he discovers the error within 15 minutes, or the next day at the latest. It is a matter, then of having as few errors as possible.

[Question] Does the new system of indicators emphasize the qualitative aspects of the production process?

[Answer] L. Blazik: The advent of the Set of Measures has changed planning activity considerably, both qualitatively and quantitatively. We formulate a plan that will cover as well as possible marketing requirements, achieve maximum production efficiency, assure wages payable, etc. Then, however, problems occur at the input end. We receive a proper materials balance in the plan, but problems begin when we want to turn this into commercial contracts. For instance, this year we received a balance of 2,100 tons of castings. However, our supplier only confirmed 930 tons in our contract. An arbitrator then reconfirmed the original request, and the supplier then amended the contract for 1,600 tons. But we still do not know how many we actually will receive. This causes problems for qualitative indicators, because we have piece work. Our plan is worked out so that our production base is utilized as effectively as possible, but if deliveries are not at planned levels, all of this planning will be thwarted.

L. Ler: Factories such as Smeral, or other large factories, must know several years in advance what they will produce, and then work conscientiously to create the material assurance of this output. Production people must be certain that materials have been assured for plan tasks in the appropriate mix, amount, and at the required time. Otherwise unnecessary nervousness arises, huge amounts of energy are wasted and the principal casualty is product quality.

The new commercial code which will take effect next year contains preliminary supplier-consumer contracts. It must be clear among contracting enterprises what each needs and what the other will assure in terms of deliveries, not a year in advance, but for several years in advance. A solution must be sought with sufficient lead time and bilaterally. All of this cannot be resolved through allocations from the center, rather we must give increased jurisdiction and responsibility to VHM and enterprises. It would be illogical and unworkable



for all shortcomings in materials assurance to be resolved at the center. The center's role must be to eliminate all barriers and to create leeway for the enterprise sphere to operate, but the full assurance of material for production and of specific products for the domestic market is and will continue to be a top priority for enterprises and VHJ.

V. Janza: One cannot think that we will help matters by distributing all details from the center. Only what is produced may be distributed. The resources aspect must be resolved, consistent with an attitude of conservation toward their consumption. To this end it is essential to utilize the plan and the entire economic planning mechanism, including prices, wages and the like. One of the basic tasks of economic organizations is to satisfy national economic requirements for production, which is the essence of economic activity. We are not always aware of this.

V. Jelinek: Our plant was one of the first to start with the Set of Measures, and things worked out wonderfully for us. Everything continues to work well, with the exception of those materials we really have problems with at the workshop level. A large, new piece of machinery will be assembled, for instance, but some tiny part, bars, for instance, will be missing. And then everyone has to run around to try to find it. Or another example. We purchased a very high-performance machine from abroad. It works three shifts, but consumes a lot of accessories, and there are not enough of these. So the machine sometimes stands idle. Once so much money has been spent on a new machine it makes no sense, certainly, to save on accessories. The machine must operate so that it can pay back the money spent on it.

M. Selucky: I think that at Sigma the economic management of the enterprise has learned to work with the new indicators, above all in the qualitative area. And management is aware, when discussing plans, that if resources are committed to investment, then there must be a commensurate return in performance, so that we have something from which to subsidize assets. I must also add that we run into material problems in supplier-consumer relations in our efforts to improve the performance of the critical indicators.

We are thinking about this and searching for a solution. We know the situation in metallurgy allotments and know what we can expect here 4 or 5 years in advance. Therefore, in our capital investment plans we have been directing attention to the modernization and rebuilding of our machinery metallurgy, so that we ourselves create the preconditions for solving a problem whose solution we can expect from no one else. Similarly, with regard to our irrigation stations we cannot expect that our suppliers would cover our requirements for everything that we need. Therefore we are going to produce certain components ourselves, for instance low-tension distribution panels. This is the way, then, that we are approaching the solution to problems, the material assurance of the plan.

I would also like to comment on the change in indicators. For instance, on the fact that gross output is no longer a binding indicator. But there are some employees who have not yet realized this. For instance, in plan preparation for next year at the ministry level one of the great problems in the area of the production plan was that we are not assuring gross production of Kcs 50 million, i.e., 1 percent of total volume.

V. Janza: I agree that there must be a certain division of responsibility in economic management regarding responsibilities and rights. It is a right of a worker to have material and machinery, and it is his responsibility to work conscientiously, honestly and with an eye to conserving materials and energy.

On the question of machinery metallurgy, this has been and remains a perennial problem for us. Are our machines as heavy (or as light) as those of world producers? They are not. Where is the problem? Does lighter construction put the design engineers at risk? It appears that they are not adequately motivated to design lighter machines, because everyone, those who take risks and those who do not wish to, are paid the same. We are forever saying that we must differentiate wages, but they are not being differentiated. If we effectively motivate the design engineers, they will attempt in their work to seek new paths, new solutions, new materials. And then there is yet another reason why there are difficulties in machine metallurgy. Because it is undesirable from a price viewpoint, every enterprise with these facilities supplies primarily itself; it is of no interest to them to supply others. And finally, there are also underutilized facilities in machinery metallurgy because, so it goes, there are no people. Why? Is it not sufficiently in their material interest, i.e., in terms of relative wages? In short, in the area of machinery metallurgy it is not enough simply to set up a plan and then wait until it will function on its own. Attention must be paid to the relationships which exist here, and whether they are advantageous or disadvantageous.

And finally regarding indicators. I don't want to believe that someone would still have the gall today to argue in terms of gross production.

L. Ler: We know that the Set of Measures brought about a very significant change in the system of indicators. We want new, technically advanced products, top-quality products, a return on capital assets, labor productivity from labor value added, etc. Certain managerial employees have not yet fully comprehended this change, and therefore we still encounter here and there the concept of gross production. However, we will have to take an increasing interest not only in how much we produce but also in what we produce and, mainly, the efficiency with which we export these products and conduct ourselves in world markets. The battle for people's thinking continues.

[Question] Does an enterprise have the opportunity to form reserves for itself?

[Answer] F. Rainberg: The plan which an enterprise follows must establish the systematic character of future development and the opportunity to form reserves in a planned way. Structural planning is the solution for us, so that we can create an awareness of design, technology, the economy, management, social and personnel policies, etc. This requires that there be a system of normative reference points. Our firm has set out on the path of strict internal enterprise khozraschet. We have 85 khozraschet centers at the firm, and every center knows what it is supposed to do. This has contributed to a situation in which qualitative indicators have been reconsidered and the thoughts of the people at these khozraschet centers reoriented to performance and efficiency, and especially toward profit, productivity, adjusted value added, wages, etc.

From the system of normative reference points, it is possible to conclude in what areas the enterprise is above average and in what areas below average, which leads to a conclusion regarding reserve creation. If the firm is below average in some areas, technical development, technology and management organizational techniques must be applied to these areas. However, in most instances this is not the course of events, and reserve creation is quite haphazard. Moreover, one must be aware that reserves cannot be created on a year to year basis. But there is one more matter that intrudes into production for us, builders, throughout the year. There is a constant line in front of our doors of investors who have just received their investment limits, and someone is constantly interceding on their behalf. At the same time we have 550 unfinished projects, one for every 4 workers. We need at least 10 workers per project, however. Am I then to stop work on 320 projects? This is a barrier that we cannot get over.

R. Kneifel: In the Seventh 5-Year Plan we have shifted to 3-year planning, and this has given us the opportunity to get to know product mix requirements, the projected labor intensiveness and complexity of products, and enabled us to work conceptually and in a long-range way. In the past decade, we have had a growth rate of 8-10 percent annually. But our subcontractors have another rate and are not meeting our needs. In this sense they are drawing down our reserves.

Another issue is reserve formation in the superenterprise sphere. I am not opposed to such reserves, but I do favor their appropriateness. If a sector creates reserves and a VHJ also creates reserves, no reserves will be left for the enterprise. Put another way, if a decision is made in the upper echelons that materials costs must decrease by 1 percent, then we receive a request for a 4 percent decrease. A situation results which we cannot control, and we document why we cannot, but neither the VHJ or the supervisory organ has to justify why they broke down the task in that way. There must be reserves, but the question remains: where and of what magnitude.

F. Fafejta: At the workshop level we receive minimal reserves. But we know that in every workshop some reserves can appear, whether through management or in some other way. But sometimes we lose them as well. For example, we develop a piece of equipment and set up the requisites for production. Only we fail to obtain a component base from domestic production, so we must look to imports. But this creates two sets of prerequisites, namely our own and the imported component base. And I am not sure if it is advantageous for our national economy to export a quality component base when its production will not be adequate even for our needs and must be replaced with imports.

L. Ler: I would like to make an important remark here. If instruments are of world-class quality then they should be placed on world markets so that, on the other hand, we can leave other outstanding and necessary products, especially in the area of instruments and tools, for our own use. We must not only export but also import certain products, even though we would be able to produce them ourselves, in cases where foreign exchange is effective. Ministries, VHJ, production enterprises, but also foreign-trade enterprises should be able to combine these two facets so as to create the greatest degree of utility for our national economy.

F. Fafejta: Our enterprise exports more than half of its production to the socialist countries, primarily the USSR. For nonsocialist markets our export plan is not as large, but it is still five times as great as last year. We want, however, to come to terms with this. I think that we can be proud of what we have accomplished. We have signed a contract with a nonsocialist customer for deliveries of our products over a 5-year period.

V. Janza: I think that you have a good enterprise, but your exports could, really, be higher. A foreign-trade enterprise, however, should also play a role in this.

J. Krepinsky: At our construction site we fulfilled the material target of this year's plan a month ahead of time. A foreman must be able to plan work, and if he can, then he can also create reserves within a job. Certain types of work are paid better, others less well. The foreman, then, must know how to organize things so that everything works out.

L. Ler: Why does one center fulfill the plan, and another fail to?

J. Krepinsky: I think that this depends on the organization of work and the movement of materials. Construction is especially demanding in this regard. I am in a position to judge, since I have been working at this enterprise for 22 years. Every center has different conditions. But they must, somehow, be made to fall together.

F. Rainberg: I would like to make this more precise. We must take resources and facilities from less important projects and concentrate them on those projects considered binding targets of the state plan. This also plays a role in determining which centers lead in plan fulfillment.

V. Jelinek: A workshop will receive the task of producing a certain machine. Everything will be calculated to do this, but then something will be missing from the requirements, and we are in the position of making up for someone else's error. Or we will have a standard based on a modern turning technique, but the machinery will break down, forcing us to use the old knives. So instead of 5 standard hours a job will take 7 hours, and again something has to be made up.

M. Selucky: In the planning system, we specify objectives both at the technical department of the general directorate and at the technical departments of our enterprises. We want them to know what contribution the technical intelligentsia is supposed to be making to plan implementation. Technical development must play a 60-70 percent role from year to year in the implementation of established targets. Technical divisions assure a reduction in direct costs and product innovations which contribute preferential pricing treatment to plan implementation.

Established tasks must, clearly, be supported with concrete measures. It is, however, necessary to overcome certain problems. We consider the first of these to be a concentration of investment resource. For product innovations we also need innovative technology. So we have introduced a list of developmental and

rationalization projects on which we are concentrating uniformly 70 percent of our resources. The second problem is in the area of economic incentives. Our general director once announced at a conference with the enterprise directors that he would pay topnotch design engineers and technicians. But he received very few suggestions on this from the enterprises. And of course this is not a matter of inclusion in a category based on wages, but a solution in the form of targeted bonuses for specific working groups.

F. Rainberg: As builders, we are great consumers of technical development from other sectors of the national economy. We posed ourselves the question of how technical development could become the focus of the construction plan. I will share only my view, that technical development should increase efficiency and reduce construction schedules. And what is the reality? Concretely, in our sector technical development accounts for 60 percent of performance and for only 40 percent of efficiency. That is too little. We run up against a shortage of people who are motivated by the thought of technical development. And when someone is not excited about something, he has a hard time creating and implementing it.

We have gotten ourselves in a situation where technical development occupies rather the weaker places in a plan, whereas it should infuse the entire process of plan formulation. To change this will require a little work still, but mainly some thinking. Then we also see that technical development comes into conflict with prices. Let us say, for example, that there has been a shift to new standards for apartment heating systems. We will then be producing a new product, but not for a new price, although this is the custom in industry. I want only to call attention to the fact that an innovative product in construction does not have a hope of being granted a price change.

And regarding completion schedules. There has been immense technical development in the area of apartment construction. This is because significant investments had been made in the implementation of technical development that have now begun to bear fruit. Public construction projects are also proceeding smoothly. There have also been significant technical developments in this field that are showing their first results. Prefabrication, however, is not proving as desirable for industrial construction as it has in housing, so construction schedules are not shortening by as much in this area.

V. Janza: If new construction starts are to be limited, thereby limiting incomplete projects, then why are new projects being included in the plan with the agreement of the construction firm? What is the motivation of the director of a construction firm for taking on such a task?

F. Rainberg: We defend ourselves on this every day, as yet without success. Besides Prague, we are active in five Eastern Bohemian districts. How am I to explain to them that we cannot build any more in their area when, for instance, enterprise directors from local industry convince me that it is right at their construction project and if it were to be included in the plan, that an immense technical step forward for society will be made. The last word about the inclusion of a given project in the production plan of our enterprise belongs to supervisory organs in any event.

R. Kneifel: We have a large technical base, but there are enterprises that do not have such a base and, therefore, are dependent on research institutes. They produce obsolete products and cannot get to newer ones. We give other enterprises an interesting production program worth Kcs 20 million. I think that we can do this because our people are motivated by technical development. If a product receives a gold medal at a trade fair, the collective which created it receives a large, special bonus. Such collectives try to be productive. For this reason, we have an annual increase in the number of new products of high quality and a high level of technical sophistication. We are part of a merged socialist commitment to the linking of science with production which came about at the suggestion of the Prague Urban Party Committee. It is proving itself, because it really is leading to a shortening of completion schedules.

L. Blazik: When we joined the experiment in 1978, we did not have a single technically progressive product. This year we have reached a point where 80 percent of our new forming machines are top-quality products, with more than half of them also classified as technically progressive. And from this, of course, advantages flow to us in the form preferential pricing treatment and contributions to the economic incentives fund.

Technical development is now being reoriented to automatic forming machines, where we have a kilogram price two or three times higher than contemporary production. Automatic forming machines received a gold medal at the trade fair for technical progressivity, but requests for them are not pouring in. So we are asking ourselves the question: Why this is?

L. Ler: As the CPCZ Central Committee general secretary, Comrade Gustav Husak, emphasized at the Third SSM [Union of Socialist Youth] Congress, we are carrying out, and will continue to carry out effective measures throughout the management mechanism in order to speed up technical development.

No managerial employee can remain indifferent to that which creates economic performance for him, whether this be routine production or new, progressive production. The compensation and evaluation of the director of every organization must depend on his success in implementing the startup of new technology. We must work toward creating a situation in which production will be impossible without new technology.

We have, therefore, intensified the principles of the Set of Measures, and their efficiency in speeding up scientific-technical development is being verified in practice. The objective of the new principles is to assure that scientific-technical progress be evident in the saving of materials, in reduced labor inputs into production, in increased profits and efficiency of foreign exchanges, in short to assure that it becomes the focus of planning and the decisive factor in the development of production and its effectiveness. Additional measures must assist in this as well. These include a strengthening of the compensation system for creative employees, those who assure significant contributions to our national economy, in the sense of creating for them the best possible working conditions and freeing them from nonessential administrative requirements.

Planning is one of the most significant functions of management activity. This is particularly true for our socialist national economy, for which the plan is the primary instrument. For this reason, every effort to increase the sophistication of managerial work must necessarily begin with the improvement of planning, because this is the beginning of the alphabet, from which everything else evolves.

To plan well is an art as well as a science. This applies not only to such significant documents of nationwide importance as the 5-year plan or the annual implementation plan, but also to the plan of the smallest workplace. Understandably, between different types of plans there exist differing degrees of rigor, and greater or lesser degrees of detail. However, the creation of no plan may be approached formalistically, by depending solely on routine, or by making the task easier with techniques which have nothing in common with well thought-out planning.

The Set of Measures for Improving the Planned Management System of the National Economy has injected new, more rigorous demands into the planning process. These have not been perfectly mastered everywhere, and a more thoroughly formulated plan has not become everywhere an effective instrument for increasing performance, efficiency, labor quality, for intensifying managerial effectiveness, or for improving the satisfaction of social needs. Certain shortcomings continue to persist at various levels of planning activity. It is essential to eliminate these thoroughly.

Our discussion has contained many suggestive comments on these themes. Above all, it is necessary to emphasize the thought that a plan cannot be understood merely as a set of indicators, norms, or even indices, but primarily as the motivation for national economic development, for an increase in economic efficiency. It is of great importance to view the plan as an objective of common efforts, as a guideline for social development, to see in it a path the travelability of which must be comprehensively assured.

The plan must express the forward movement of the entire national economy so that its performance under given conditions satisfy as well as possible the needs of society. It is then necessary, during the implementation period, to struggle firmly for such a plan, to concentrate all abilities, strengths and resources on its fulfillment. The plan is a prototype of the future life of society.

9276

CSO: 2400/41

ANXIETIES ABOUT ECONOMIC FUTURE, MEASURES FOR IMPROVEMENT DISCUSSED

Budapest TARSADALMI SZEMLE in Hungarian No 10, Oct 82 pp 3-12

[Article by Andras Tabori, deputy editor-in-chief of MAGYAR HIRLAP: "Speaking Openly--About Anxieties and Ways Out"]

[Text] It is not our intention to be reassuring. There would be reason for it, but it would not suit the nature of our policy or its customs. A soothing and reassuring arrangement of the facts is not worthy for a man of action; he deserves to know the whole situation, to see through the processes, to be spoken to frankly. Rational, useful action can come only in the wake of a realistic view and trust. The historic experience of our policy is summed up in all this.

Today, however, it is much more difficult to apply this experience than it was earlier, in a period of dynamic development. The conditions for a full understanding have entered new dimensions so that it may appear as if the ability to form relationships fell entirely outside of one's abilities--even though, as producer and consumer, he directly feels the effects of the changes in these relationships. How is a man ready for action to deal with such global concepts--embracing the country and world, and far from him--as balance, crisis and solvency?

In this article we would like to clarify the close interdependency between personal action and the "relationships" which seem abstractly professional and incomprehensibly complex. We should quote the lines of Marx as our motto: "Just as the medical wonder workers and miracle cures are rooted in a non-recognition of the laws of the natural world so the social wonder workers and miracle cures are rooted in non-recognition of the laws of the social world...." (Works of Marx and Engels, Volume 3, Budapest 1976, page 532.)

If we give open answers to the new questions of our day, it will appear more clearly that there is cause for neither fear or resignation, for neither illusions or fatalism. We should neither over-value nor underestimate our accomplishments or our difficulties. The chances for a solution of our problems will appear more clearly if we avoid despair, and the expectation of miracles as well.



Many, with reason, compare the world-wide crisis to the economic cataclysm of 1929. The report, at the beginning of September, of the General Agreement on Tariffs and Trade (GATT) paints a dramatic picture, pointing out that "world trade shows dangerous parallels with the great depression of the 1930's; the international banking system is in ever greater danger; protectionism is taking on ever greater dimensions." And the bare facts do not at all mitigate this diagnosis. The production of the so-called OECD countries, gathering together the developed capitalist countries, stagnated in 1980-1981, while personal consumption increased minimally and, indeed, decreased in the majority of the countries. Inflation again approached the crisis level of the first half of the 1970's. In December of last year, unemployment in Belgium exceeded 11 percent, exceeded 12 percent in England and approached 10 percent in the United States--with an increasing trend. The payments situation of the OECD countries deteriorated; according to combined data their current payments balances closed with a deficit of 35 billion dollars in 1979 and 63 billion dollars in 1981. And the news agencies--especially in the second half of 1982--were giving more and more reports of the fevered pulse of the economy. Let us cite only one characteristic report from the world dossier, one concerning that country which has become justly legendary on the basis of its economic capacity and flexibility: "The Japanese economy is facing a financial emergency," the prime minister of the island country announced in a televised press conference in the middle of September. He added that the debts of the government were increasing, its receipts decreasing, and he asked the populace of the country to share in bearing the burdens.

How should we interpret these facts from the Hungarian perspective? If we do not recoil from the logic of the conclusions we must put some sharp questions. For example, if such a profound economic crisis is shaking the world, why should we assume the effects thereof; why the openness, if we must prepare to accept such effects?

But this is a purely logical consideration. In practice there is no such question. Isolation is not the alternative to openness; the alternative is a serious decline, unmeasurable in its effects. Not only because the age in which we live is characterized by a world-wide interweaving of the economy and the mutual dependency of processes. And not only because the productive forces of a small country which has entered the stage of intensification can isolate themselves only at the terrible price of deficits and obsolescence and the chaotic consequences thereof--and could do even this only hypothetically, because in reality the economy would collapse if it erred onto such a path.

In reality, something different and something more is involved. Knowledgeable experts are saying ever more convincingly, citing many centuries of history as a witness, that the price revolution in which we have been living for almost a decade already can be compared only to the epochal turning points of history. Mankind has faced price revolutions only rarely. Following the discovery of America, with the sudden influx of precious metals; in the age of the industrial revolution; and now, for the third time. So the change is not temporary, is not reversible, is not just an episode in the course of history.

On the contrary, values and institutions, structures and performance are now assuming new magnitudes; there is no corner of the world which can save itself by isolating itself from this process. And there is no appeal when the age passes judgment on the performance of men and nations.

So the change of epoch which has rushed onto the stage of history with the strengthening storms of crisis, in the years of generations now living, offers no other choice: We must meet the challenge.

One of the chief anxieties of our public opinion today is: What are our changes, indeed do we have any chance of staying on our feet, preserving our place, developing?

A review of the historic courses of the recent past is indispensable for a convincing answer. As is well known, our payments balance was essentially balanced in 1973, the reform of guidance had begun successfully and was serving as an incentive for the economy. But the consequences of the shock waves of the price explosion affected us with a seriousness unparalleled in history. From one year to the next the international value of our work plunged by one fifth, and the adjustment to the new situation--as we now know--was delayed. The 23 June 1982 resolution of the Central Committee summed up the experiences of this period as follows: "In 1974-1975 we had not yet recognized the economic policy tasks deriving from the new world economic situation. Our economic policy reflected the presumption that the foreign economic conditions unfavorable for us would last for a longer time, but that the magnitude of the deterioration in the terms of trade was temporary, that our losses would not increase but would decrease. This was the basis of the economic policy goal of adapting to the changed circumstances together with a swift growth in production similar to the earlier one, and increasing the standard of living to the degree planned earlier. This goal proved to be unrealizable, and it resulted in a significant deterioration of our foreign economic balance situation."

Expressed in forints, this means that between 1973 and 1981 the country suffered a price deficit of 330 billion forints, and this exceeds one half of the national income we produced last year. We used up more than the new value produced; we invested more and lived better than our real possibilities would permit. We covered the difference with credits deriving from the national income of other countries. The economic policy adopted by the Central Committee in December 1978 and confirmed by the 12th congress put a brake on this process and turned it in a new direction.

The resolution of the congress put two priorities in the front rank of economic policy--creating a balance and preserving the standard of living--and citing these well known facts is indispensable for an analysis of the present situation because execution of the resolution brought extraordinarily significant results. Comrade Ferenc Havasi, in a speech opening the school year at the Economic Sciences University, summarized these achievements as follows: "We succeeded in slowing, and then halting, the process of foreign indebtedness; our outstanding debts did not increase but remained constant, and have decreased somewhat since the end of 1981. Since 1981 our capitalist foreign trade balance came into essential balance....We preserved the solvency of the country and the trust of our creditors,... although in these years our interest burdens alone reached the annual dollar value of our capitalist export of 10 years ago."

Well, if our achievements are so considerable, if we succeeded in making progress in improving the balance with such swift strides, then what happened in 1982, especially in the middle of the year? Why has a new goal appeared--as if as a synonym for the balance--that of preserving our solvency?

Behind this decision an entire series of tightening measures--taken while carrying out the annual plan--indicate that in many respects we came to face a new situation. It is well known that these measures moderated the flow of purchasing power, primarily in the area of accumulation but also in the area of personal consumption. Consumer prices were increased in August; the forint was devalued by 7 percent as compared to convertible currencies; investment credits were reduced; interest rates were increased; and stockpile management was tightened up. All this together served the goal of regrouping an even greater proportion than planned of our goods in order to improve the payments balance.

The new situation can be attributed in part to external causes, but also in part to internal ones.

To put it succinctly, the essence of the external causes is: our burdens in servicing the debt will be especially considerable this year and in the years just ahead, at a time when there is a credit embargo against the socialist countries--seriously disturbing international financial contacts. In addition to the politically motivated discrimination against the socialist countries it also adds to our burdens that real interest rates are extraordinarily high, in a money market situation reflecting the interests of the United States. Looking at it more closely, servicing a debt (which means in part repayment of capital and in part the payment of interest) would presume, in the traditional system of international financial contacts, that we could cover repayment on a schedule adjusted to our possibilities from our profits and from new credits. If the latter possibility is limited it means, in essence, that we can maintain solvency only from domestic sources. Thus--although we originally counted on a significantly positive foreign trade balance only by the end of the Sixth 5-Year Plan--the new situation, deviating from the annual plan, demands that we achieve a considerable trade surplus this year. In a paradoxical manner our problems are compounded by the fact that oil prices are falling on the capitalist world market. Because this means that the oil producing countries are withdrawing their foreign exchange reserves from the banks of other countries to make current payments.

Analyzing the background of our problems it would be easy, naturally, to refer only to processes arriving from beyond our borders. But this would be only half of the truth which can be turned to our profit.

The significant achievements of recent years also call attention to our great reserves. The halting and turning around of negative processes since 1979 derived two thirds from a re-regulation of distribution and only one third from production achievements! But for Marxists it is hardly a new discovery that a lasting solution can be achieved only with the achievements of production.

The facts show, however, that we certainly did not realize this in recent years. Let us look more closely, for example, at our chief reserves, at the facts referring to the efficiency of management. Efficiency expresses in a summary way the resources used in production, the changes in live work and assets expenditures. The statistics covering the period between 1979 and 1981 indicate that in these 3 years the combined volume of live and embodied work increased by an annual average of 0.9 percent while production increased by an annual average of one percent, through use of these resources in material production. Comparing these two figures indicates that in this period the efficiency of production hardly changed, in essence did not change at all.

Or let us look at the other management goal--no less emphasized--which linked an improvement in efficiency with an improvement in the competitiveness or modernness of products, with an acceleration of change in the product structure. The process (for many reasons which cannot be detailed here) is unfolding extraordinarily slowly as a whole, and not without some reversals. In the state machine industry, for example, the number of new products decreased between 1978 and 1980; in 1980 they began production of 474 new products, which is only about half of the novelty ratio of the 1960's. Marketing data for the machine industry reflect a similar situation. Between 1978 and 1980 the ratio of products 3 years old or younger declined in every sub-branch (with the exception of signal and vacuum technology and the mass metal goods industry). These are alarming phenomena.

We do have initial achievements in reducing material use, primarily in industry. Largely under the pressure of increasing prices the magnitude of material demand moderated by 1.4 percent between 1978 and 1981, and this meant a saving of about 10 billion forints. But we can regard this as only a modest if reassuring beginning.

We must formulate in an unambiguous way the conclusions deriving from this: We cannot solve our problems--at most we can ease them momentarily--with any sort of distribution severity or financial maneuver if we do not see to a discovery of the reserves of management, if structural change, efficiency, does not improve even amidst the difficult management circumstances deriving from our organizational and regulatory weaknesses.

In enterprise circles they may frequently complain about the severity of regulation, but the facts show that even now we largely lack the economic constraints that would transmit to every enterprise the realities of the country. The truth is that even today regulation protects the enterprises more often than it should--protects them against the consequences of their own errors and lack of organization. And all this is done, for the most part, citing the "protection of the workers," although it hardly needs proving that now the fundamental interest, preceding every partial interest, is to improve the efficiency of management, to create, by rational use of our resources, the conditions not only for the preservation of solvency but also for development, for the prosperity of the country.

The laxness of economic constraint takes many concrete forms in practice. The price system, for example, still does not transmit the foreign market effects with unambiguous consistency; in many industrial enterprises internal interests and organizational confusion hold back a more purposeful organization of work processes and distribution according to performance.

Have we any other choice than to face the world market challenge? We do not, but first of all this forces us to face ourselves, our errors and our neglected opportunities, which can still be turned to our profit.

External crisis effects primarily, but internal causes as well, indicate the sharpening of this process. The question of how to handle the crisis obviously follows from this. To put it differently, how should we interpret, in what way should we integrate into our institutional structure, how should we adapt to the traditional methods of our policy the requirement that we must neutralize the crisis effects?

In June 1982 the Central Committee answered the question with great political responsibility. The resolution judged it important to stipulate: "It is necessary to have in operation an auxiliary mechanism which will ensure the ability to function and the possibility of effective solutions in the lasting or explosive foreign market booms or recessions alike."

An entire series of decisions in the past few months show that such an "auxiliary mechanism" is functioning. Let us mention only one, very essential element of this system. It is well known that the government of the Hungarian People's Republic--in accordance with the system set down in the basic document of the GATT according to which a balance of payments deficit and the danger of a reduction in foreign exchange reserves can justify import limitations--announced that it was temporarily forced to implement such limitations. It should be recognized that a rational, well thought out replacement of imports offers great social advantages, but a forced limit on imports can also cause disadvantages and losses. There can be no doubt that imposing quotas on imports may be less sensitive to the shadings of demand, and if it is insensitive to it here and there this could have a ripple effect, and could lead to negative consequences.

A forced measure--and countries much richer than we have done and are doing similar things today--reckons with the advantages and disadvantages in such a way as not to make a virtue of necessity. Responsible leadership, a responsible government, naturally may be forced to make decisions which are short-term solutions, hoping to optimize the accompanying disadvantages which can be calculated. But our leadership, our government, does not claim for one moment that the "auxiliary mechanism" can take the place of or even constitute a development of the institutionalized mechanism.

We thus come to the especially frequently formulated question of our current public anxieties, a question deriving from an affinity to our policy and from social responsibility: What happens to the reform amidst such circumstances? What seems to motivate the anxiety is not only that people fear for the policy as a whole, rather they are anxious for the economic policy achievements of this policy, for an economic guidance system which has been functioning successfully for almost 15 years (and the achievements of which can be seen so unambiguously just in the current sharpened situation) and for all that which it has produced already in our whole social life.

The answer we can give to this sympathetic anxiety derives from the essence of the policy of our party, from the fact that this party has won, and wins day by day, the trust of the masses because and by virtue of the fact that it has no intention of saying things beautiful and reassuring in place of telling the truth. If it is forced, temporarily, to judge the functioning of an "auxiliary mechanism" to be in the interest of the socialist present and future then, on the one hand, it says so openly and, on the other hand, it really does think of and intend its measures to be "auxiliary," "of an emergency character" and temporary. Let us quote the words of comrade Gyorgy Lazar: "Even in the present, economically difficult period, when the situation justifies the application of temporary, emergency solutions, and we have no reason not to say that such things have happened and may happen in the future also, still our chief aspiration remains a further implementation of the reform, an ever fuller unfolding of enterprise independence together with an improvement of the efficiency of central guidance."

Economic reform, as the anxieties of today show so clearly, is built into the awareness and value system of the nation. And this is an historic achievement, because today, for the first time in the history of our nation, we are realizing a reform process, guided from above and supported by the masses, which is being realized not despite the revolution or with the intention of weakening the effects of the revolution, but rather as a continuation of the revolution with new tools. Carrying forward the revolution by means of reforms became possible because, as a result of the revolutionary process, the bases of the socialist order, and the corresponding property relationships and social structure, have come into being and been consolidated already. The reform is a continuation of the revolution because and in the sense that from time to time it is possible to create an ever new harmony between productive forces and production relationships, between the economic base and the superstructure, at a higher level, at the intersections of development, with its own unique tools. This is how it was for us in the late 1960's, when the condition of the productive forces demanded the working out and introduction of the economic guidance conditions for intensification and the spread of socialist democratism. And this is how it is today also, when, inspired and constrained by the new external and internal circumstances, a continuation of the reform is on the agenda, in the economic and social sphere alike.

Let us continue the list of anxious questions with this: What will happen with the standard of living? This is an everyday question being asked by the masses: In this new situation, will we maintain, can we maintain, the goal formulated at the congress, preserving the standard of living?

We already noted that in the years following the 1973 price explosion a definite over-distribution developed in the country, based largely on credit resources. Personal consumption in the decade behind us exceeded by a good bit the level which could be calculated from our national performance, from an international comparison of our productivity. Real income, taking 1970 as 100, rose to 136.6 percent in 1980 while the real value of social allotments increased to 196 percent. As we have recalled, all this was being paid in advance, partly by borrowing from the performance of other nations. This is not a post facto demanding of an account in regard to the current consequences of earlier decisions, but it is a fact with which we must realistically

reckon. And a realistic accounting means that we should preserve the standard of living which developed in this way, based in part on an advance payment, and we do have a way to carry out this formidable task.

Just as we have re-evaluated the consequences of the price explosion, of the effects of the change of epoch, so must we now deal unrelentingly with any new over-distribution or advance payment. In addition to the great achievements piled up, just such relative over-distribution tendencies burden the performance balance of the past 3-4 years. Let us look at a few facts. In 1980, when national income fell below the planned level by about 4 percent and the number of employed persons remained one percent below the plan, average earnings exceeded the prescription by one percent. In 1981 incomes again increased more quickly than planned, by 1.5 percent. (It followed from this that the financial situation of the enterprises developed more favorably than that of the national economy, so that the balance problems fell largely on the budget.)

All this is part of the complete picture, and this explains why it became necessary, this year, in the middle of the year, to adjust the situation from the side of incomes, ahead of time and strictly to the planned degree. This also led to the forced decision, deviating from earlier practice, not to compensate even the low income strata for the August price increases--with the exception of 40 forints for those with the smallest pensions.

The distribution relationships of the past few years--as the relative over-distribution itself suggests--were adjusted to the congress goal and did meet the great task of preserving the standard of living. Hereafter, the way to realize the goal of "preservation" will be to exploit the great reserves of management, efficient use of materials and energy, the possibilities offered by work organization and factory organization, and increasing performance as measured by international standards.

Many ask, and the commitment behind the question merits special attention and respect: Will the resolution of the 12th congress be fulfilled, can it be fulfilled, in the new situation?

The following succinct quotation well illustrates the spirit and essence of the congress resolution: "Starting from the actual situation and adjusting to the long-range goals and the changing circumstances, our economic policy in the period of the Sixth 5-Year Plan must ensure the planned development of the national economy."

Is this formulation excessively broad? Does it indicate only our present tasks, and does not their "incorporation" into the resolution seem a bit artificial, and after-the-fact logical operation? Is this not a play with words to make it appear that our current decisions can be derived from these comprehensive goal designations?

First of all let us recall that the dialectical linking of "long-range goals" and "changing circumstances" in the resolution reflects the historical experiences of the party. There was a time when development was not adjusted

to changing circumstances, and thus it approached the long-range goals imprecisely. It follows from this that now--and this means the situation which has developed in the concluding months of 1982--we can approach the long-range goals only if we make hard decisions, expressing the chief goals even in their temporariness, to preserve our solvency. Preserving solvency is the first priority task today; it means a defense of our national economy and socialist system.

The congress resolution is being fulfilled even if look at matters from a more immediate and more practical viewpoint; even if the resolutions are being fulfilled in principle and in essence, even if the magnitudes and ratios may change.

For example, it continues to be our aspiration to use the few material resources at our disposal primarily to improve the situation of the lower income strata, that of pensioners under 2,000 forints, that of families with several children, and, introducing a new scholarship system, that of young intellectuals starting their careers. It is a reflection of our congress principles that, continuing our quarter century traditions and even amidst the hard circumstances, we have not given up having domestic supply enjoy priority in the marketing of products. The realization of this intention is not at all some sort of concession, a patriarchal largess offered to society. It is true that public supply is an important factor influencing the public mood and thus merits great attention. But another factor in this intention is the recognition that it is an economic incentive if incomes can be spent continuously and reliably; more precisely, it could frustrate every other incentive if material rewards could not be exchanged for goods at the shop counter.

It corresponds to the spirit of the congress resolution that--although we are reducing social public expenditures--we began by reducing office personnel and with a more rational organization of research institutes while carrying out the social programs, developing educational and health services and turning more than before to such purposes even despite the more difficult circumstances.

We might list here our unchanged commitment to maintaining full employment, although this will not be a simple task--with the indispensable acceleration of structural change and especially with a more vigorous limitation on deficit activities.

An especially important aspiration is the closer link between performance and income--in the area of enterprise incomes and personal incomes alike. This presumes a much more consistent realization of distribution according to work. It is a dangerous sign that even amidst our sharpening problems there has been a trend toward leveling, independent of performance. Wage differences have narrowed in the past 2 years. In the enterprise sphere, 16 enterprises studied, which achieved decreasing or at most unchanged profits last year, raised wages by 6.6-7.6 percent while those enterprises which increased their performance with striking dynamism, by 40 or more percent in one year,



could, for the most part, exceed the average wage development level by only 1-2 percent. This cannot continue in this way, because it is not in harmony with the needs of society building or the present strict requirements.

Finally, the question of questions: Is there a way out? Does this little country, do these some 10 million people awaiting prosperity have a way out of this situation in the sweeping current of change?

It is not some artificial optimism but rather a sober accounting that tells us, Yes, there is a way out! The chief factors for this can be found in ourselves, in our strength, efforts, achievements and reserves. We have talked about these already; we have innumerable possibilities for getting ahead in the sphere of production and management, for making work and guidance more efficient and better organized in the economy and within the factories, for conservation, for producing more cheaply and selling more economically.

There is also a way out because we are not alone. It is true that the world crisis has presented the same challenge to our friends, the socialist countries, but it would be for us the indispensable guarantee of a way out if--just because of the challenge--our united efforts improved and our cooperation were modernized.

We are convinced that, even if years filled with trials may be ahead, international processes will, sooner or later, return to the course of detente. But not, of course, of themselves. Constant and enormous efforts will be needed to preserve the peace. It is not only the vital interests of mankind but also bilateral economic interests which will force this only rational course of action. We would like to mention only one justifying hypothesis--even the repayment of loans is not simply a unilateral interest. Today, many countries around the world are struggling with liquidity problems; thus many, serious dangers threaten international financial affairs. (We have quoted the GATT report, which refers to the ever greater danger threatening the international banking system.) So solvency--although it is our first order obligation--is the common interest of debtor and creditor.

It is a condition of finding a way out that communists be open to a re-evaluation of their experiences and to accepting all things new, and their experience and receptivity to the new should pertain not only to successes but also to problems and mistakes. In this respect the past decade has offered us some prime lessons. The price explosion and the crisis have not only imposed burdens upon us, they have also illuminated our errors and taught us something about the organization of the economy, the functioning of our institutions, the transformation of structures ossified into traditions, contact between the party and the masses and the interpretation of national unity. The most important lesson is that we are capable and are becoming ever more capable of telling the difference between real and fictive national accomplishments.

Speaking of the chances of a way out we must finally talk about this also, that socialism was and remains the only chance for mankind. It is not a commonplace, figure of speech or empty burst of enthusiasm to say this,

rather it is a conclusion to be drawn from a careful analysis of the new processes of our age now unfolding. The capitalist system, imperialism, does not offer mankind a way out, indeed it makes the future ever more hopeless. This is proven not only by its warlike intentions and aggressive deeds, threatening the world with destruction, but also by that trend called neoconservatism, which is an ideological, conceptual product of the crisis of the capitalist world economy and which has become the government policy of a number of bourgeois countries. Does it not indicate the hopelessness of the capitalist system that they want to bring back into the age of developed state monopolism the laws of free competition capitalism (never realized in a pure form) and solve the ever sharpening contradictions of the system with the aid of a market proclaimed to be all-powerful? The bourgeoisie are trying to progress backward, which is an obvious illusion; but it is especially anachronistic in the age of socialism. The trend and policy of neoconservatism will not only put on trial, again and more aggressively than ever before, the historic right to existence of socialism, of Marxism-Leninism; what is really on trial is the freedom, equality and social achievements of man. Neoconservatism is using philosophical, economic and genetic arguments for a comprehensive attack against the workers, for a theoretical justification of inequality, we can even say, for the retrial of the achievements not of the October but of the French bourgeois revolution.

Under such circumstances--even now in the midst of crisis, indeed especially now--we have cause and we have the historic right to equate the hope of mankind with the hope and promise of socialism.

8984

CSO: 2500/23

PROBLEMS INHERENT IN ECONOMIC PLANNING PUBLISHED

Warsaw GOSPODARKA PLANOWA in Polish No 6, Jun 82 pp 209-213

[Article by Andrzej Karpinski: "Some Economic Problems in Establishing the Three-Year Plan Till 1985 and in the Planning Premises for the Period Till 1990."]

[Text] For a long time now the Council of Ministers' Committee for Planning has been working on the plan till 1985. The plan's working title is "Three Year Reorganization Plan for the National Economy." This is in accordance with the empowering statement contained in art 33 of ordinance 2 of the "Ordinances on Socioeconomic Planning." It contains an authorization for the upcoming five-year period plan to be worked out for a period shorter than five years. This is, at the same time, in agreement with the most essential objective content of this plan. The premise of the plan is to initiate a thorough restructuring of our economy from the point of view of its needs and priorities as well as to reduce obstacles to its real development which result from the presently excessive demand for goods and energy.

At the same time parallel proceedings are being undertaken in order to secure a larger perspective for solving problems as they actually arise. Such proceedings are limited to some of the most strategic problems. This is the same type of solution that has been adopted in a number of other socialist countries, among others the USSR, where the tasks of the upcoming five-year plan have been presented jointly with projections for the period up to 1990.

Lately these plans came to a stage in which the principal assumptions and parameters can be stated with considerable precision as to which must be taken into consideration in the planning of the economy as a whole and in its sectors and specialties.

Initial results of these studies allow formulation of general conclusions as to both the proportions of the plan and the economic development driving forces in the coming years.

In agreement with the topic of this article I shall concentrate my further considerations on the economic problems and conditions as the problems of social aims and priorities require separate treatment. At the same time, it is worth stressing, that evaluation studies of social needs and models

of satisfying these in the long run of the projected planning needs are still ongoing. Therefore, a broader consideration of these problems and their objective and social treatment (that is their division into social groups) will be possible in the project of the prospective plan for the years 1986-1996. This plan will have been worked out, according to the above-quoted ordinance, immediately after the approval of the 3-year plan, that is in 1983, as shown in the results of the concurrently conducted works.

To characterize the social aims for the 3-year plan I shall keep in this article to the most basic issues. Three strategic aims have been assumed in the studies done for this plan. These are: Supplying food for our country based on increased domestic grain and feed production, and fulfilling and satisfying to the maximum possible extent needs in housing together, with appropriate development of civic and social infrastructure, as well as protection for the most needy sections of our population from the detrimental effects of our crisis. This, therefore, has been the strongest focus of the social aims in our planning procedures so far. It has been dictated by our exceptionally limited possibilities that have resulted from the crisis and by the most urgent social needs evident in these two areas.

Having limited myself to this synthetic way of characterising the 3-year plan, I am now going to discuss the main topic of this article, which is the area of economic problems to be solved in the plan up to 1985 and in the projections for 1990.

The tremendously strong influence of foreign commerce on the plan's proportions and on the economic possibilities till 1990 come as the first and foremost conclusion of the present studies on this plan. The high level of indebtedness to second area countries, \$25.5 billion at the end of 1981, and increasing indebtedness to first area countries, until now mainly the USSR, which at the end of 1981 reached 3 billion, made the solution of problems connected with the balance of payments the key problem of our plan.

Three different versions of the foreign trade plan have been worked out for the second area countries. These have been adjusted appropriately with different scenarios in the development of payment situation.

One thing is certain, Poland's economic future depends to an unprecedented degree on the rapid development of our exports. As a result, reshuffling the Polish economy to favor exports must become one of the central directions in our economic policy until 1990. This will define Poland's import possibilities, that is, its raw goods supply and imports of new technology.

The present studies indicate that the service of Poland's foreign debt will require in its most optimal version a considerable positive balance in goods transactions with the countries of the second payment area in 1990, while in 1981 such transactions were marked by a negative balance in the order of \$300 million.

Such improvement in the trade balance will require a strong increase in exports. Minimum needs of exports increase till 1990 as compared with 1982 are estimated in constant prices at about 70 percent. This would mean that the export elasticity covariant compared with production would have to be at least 1.9, that is a level that has never been achieved in the past. This is not possible without a perceivably felt progress in the specialization of our production and exports toward the world market. Such progress has been an objective in the case of other countries in a stage of development similar to ours.

That is why in every specialty an analysis must be performed as to the possibilities for individual enterprises (similar to those done in Stalowa Wola, Krosno or Ostrzeszow). This would permit us to establish which of them could specialize their production for export.

To economize for the above-given balance, the rate of export increase must be much slower. Presently available analyses indicate that with an increase in exports of about 70 percent, imports from countries of the second area in constant prices must not be more than 20-28 percent for the year 1990 than for 1982. That means, therefore, that the rate of export increase must surpass, at least, by three times the rate of import increase.

That is why we must take into an account the imposition of any drastic import limits for the second area countries for the entire ten-year period. Our development possibilities for sectors and industry as a whole will depend on our ability to decrease dependence on imports. This must mark a drastic reduction of our import absorption from the second area: Thus, a dependence in our production development on importing of the supply materials from that area in ascale of at least 10 percent, as compared to that of 1982.

This would be possible only if our import structure undergoes a deep change. Such change ought to be directed at freeing ourselves from the strain imposed by grain imports, and at a most speedy achievement of a trade balance in foodstuffs marketing in favor of diverting a maximum import possibility to the importation of industrial goods.

At the same time a deep reorientation is needed in foreign trade in favor of intensification of our turnover with the socialist countries and replacing, wherever possible, second area countries imports by the imports from the socialist countries.

Difficult problems, however, are also anticipated for the socialist countries turnover in that period. These come as a result of a considerable increase in raw goods prices in the world market during 1976-1980. They result also from our countries' principle of central price-determination based on world price averages in terms of many years standing for the past five years. As a result, between 1981-1985 we have to anticipate import raw materials price increases for the imports from the socialist countries. Such increases are estimated at 7 percent per annum, in that the increase in price of raw materials will be 10 percent per annum, even though these price levels will continue to be considerably lower than world prices. A normalization of the price situation can be expected only after 1985. While we do receive favorable credit ratings from the USSR to cover the effects of this price increase, their payment deadlines will be piling up after 1985.

Therefore, even if socialist countries export price increases would hold at their present level, averaging about 4 percent per annum, we would nevertheless face a marked decrease in the accumulating trade balance in our turnover with the socialist countries as well.

The policy of our economy must in this situation aim at a maximum compensation for the price increase in socialist countries imports by an increase in prices obtained from our exports to socialist countries. This is possible, provided that a substantial improvement in quality and adherence to standards of innovation have occurred [in our products] and that we would have an increased input of our original technology [in the manufacture of these products].

At the same time, our present talks on both these countries' participation in the final withholding of investments and on the overcoming of our industry's production spare capacity in order to tighten permanent economic interlinks with these countries, must be exploited to the maximum.

At the same time our foreign trade, as well as our industrial production, must be oriented towards the development of commerce with the so-called third-world countries. In order to achieve this we ought to, by 1990, to increase our third-world countries commercial turnover as to, at least, match the Polish turnover with that achieved by other socialist countries, that is, from 15-17 percent, while our own participation has been lately at the 12 percent level.

Another problem by which the possibilities of our development will be measured in its solution is the improvement of our effectiveness in economizing. During the last 6-7 years our industry has suffered from very disadvantageous relationship between the sold product, or the global product, and the net product. This has resulted in an unjustified increase of production costs and in general decrease of effectiveness; the pay increase, especially that occurring after August of 1980 and completely disconnected from productivity, has caused serious unbalancing of the proportioned costs. A synthetic result of this is the span on a 6-point scale that occurred between changes of global and net production to the detriment of net production. This is an almost unprecedented span, and it proves the occurrence of cost increases reaching a few percent per year.

An improvement in this situation could be achieved by two-directional action. On the one hand it could be achieved by improving effectiveness on the micro-scale, that is, by achieving profit from enterprises through a speedier lowering of the costs, especially of the costs of raw goods. Our main hope in that area is attached to the economic reform that is now being introduced. It is tied to the predicted reform reaction effect that could be achieved through the principle of self-financing. It is also connected with the new supply prices which reflect real social costs more realistically. One must, however, appreciate the possibilities of improving production profits on a national scale through allocational changes in the means of development. Such changes ought to favor these sectors of industry which satisfy important goals of our society, yielding final production that would generate an advantageous relationship between the costs of raw materials and the gross sales of products;

for this is the most important factor in the increase of our national income. The above conditions are met to the highest degree by these branches of industry which are characterized by the highest degree of raw materials conversion into products through the use of considerable technological input.

Efficiency improvement must be achieved especially through savings in the area of energy, raw goods, fuels and materials. For, as evidenced by our preliminary analysis in the evaluation of increases of 35-40 percent for the eight years (1983-1990), the resources of about 45 basic raw products for domestic use (those obtained in both domestic and imported production) will have increased in the most optimistically projected version, between 1982 and 1990, by 15-20 percent. This means that, in the one million zlotys production for a five-year period, individual use must be lowered by at least one eighth. However, if, on the other hand, we shall assume that the average annual rate of growth in the national income ought to be about 4-5 percent, then, at least 1-2 percent, that is from 25 percent to 40 percent of this increase ought to come from improved effectiveness. Such relation has not been achieved in our economy since 1974. Should such progress in our economic efficiency be unachievable, our presently assumed consumption and investment increases would both go down.

As a result of the above a thorough change in the structure of our national economy is of key importance in the economic policy of that period. This is the main direction which our plans till 1985 as well as till 1990 will be taking, even though the main aims of this restructuring differ for both these periods.

The accomplishment of thorough industrial restructuring is of particularly fundamental importance. This restructuring is to be understood in this case as a gradual shifting of the developmental means, such as central import and investments, preferential credit and tax assessments, preferential credit and tax easement in favor of these sectors, branches and industrial works which:

Firstly - will ensure the best use of energy, raw products and materials.

Secondly - are most immune to import restrictions, and, by the same token, are least dependent on the second area imports.

Thirdly - represent the most advantageous ratio between the sales and net production, thus, they show a relatively high level of profit and a low individual use of materials.

Fourthly - are the carriers of technological progress not only for their own area, but in the ascending scale of our economy, which, as a rule, concerns so-called "future industries." Shifting of man-power from the old and traditional industries to the new, technologically advanced ones become nowadays simply a condition for future developments in industrial production. In this, technological progress is to be understood dynamically, not statistically, and is to be viewed in the light of predictions of the probable directions for future technological progress.

A particularly keen study is needed of those industries which shall determine technological level of our future products and our competitiveness in the world market. We know already that the use of biotechnics, microprocessor techniques, automatization processes, etc., will bring serious changes in industry. Without giving an answer as to what our chances might be through development of these industries we cannot even talk about true restructuring from a future view point.

Among individual areas that meet the above general criteria those must be selected which are able to assume, in our Polish circumstances, the role of a kind of "increase" or "motive" mechanism in our process of ending the crisis. While such areas would ease us across the barriers of development, they would also have a dynamic impact on our production and national income increase. Selection of these areas, industries and products ought to be the main purpose of our industrial strategy.

The second fundamental direction in which restructuring of our economic system ought to go is in such shifts of the potential and production structure which would allow this system to better adjust to the actual final needs that result from the existing priorities of economic policy, such as nourishment, housing construction, marketing and export. Provided that, while the main purpose of economic restructuring for the period until the year 1985 ought to be the easing of our economy's developmental barriers through the savings made on the use of individual production factors, such purpose after the year 1985 ought to be the shift of our economy in the direction favoring export.

An evaluation of investment possibilities is of essential importance in defining the most effective ways of solving these problems. A few fundamental assertions must be considered in programing the economy and its individual sectors. These assertions have been based on different versions of national income and its division. They also result from the analyses of investment possibilities conducted by the Planning Committee of the Council of Ministers.

Firstly, the general level of investments in national economy until 1985 could, most probably, be no higher than that in 1982; and, if it could, it would increase only insignificantly. In such a situation the essence of this problem is not in the formulation of new investment programs, but in analysing the possibilities of the most effective realization of already started programs and shifts in the investment structure.

Secondly, till 1985, the possibility of assuming new long-term cycle investment will be particularly limited. Due to this the central problem will move to recovery-restitutive investments, which, in fact, have been particularly neglected in the past.

Thirdly, the investments assumed thus far, withheld by government decision, will not be assumable again before 1985. Naturally, there may be exceptions here, but only genuine exceptions.



These principal assertions, despite the projected recovery of a greater freedom in investment maneuvering, preserve to a degree their timeliness also in reference to the next five year plan, that is, to the years 1986-1990.

It is true that, based on the ongoing analyses, an assumption is being made that till 1990 the most probable variant of domestic industrial production will surpass the highest precrisis level, which was achieved in 1979 in the 20-25 percent scale. Likewise, our national income will surpass its highest precrisis level of 1979 (in the 10-15 percent scale). Nevertheless, it will not be possible to designate this increase in national income for enlarging the investments, or to designate a large chunk of it for that purpose.

This increase in the national income will have to go, first of all, to compensate considerable regression in population demand. Secondly, it will have to go toward servicing foreign trade and that will be diminishing the income produced for domestic consumption. The necessary protection of consumption and living standards amidst increasing expenditures for service of foreign debts after 1985 will retard investments till 1990 to only 65-74 percent of the peak level of 1978 investments. Such are the objective conditions we must take into account.

This must translate into an active shift of performance potential in the construction industry in investment costs in speeding up the completion for use of these production and service objects which could facilitate a solution to real economic problems, that is the supply of foodstuff, improvement of marketing situation, decrease in import needs or increase of exports.

The aforegiven evaluation of our country's investment possibilities is a result of early prediction of the forms which our national income and its weight of servicing foreign debt will take. It ought to be taken as a warning. Naturally, these evaluations may change due to any coincidental arrangement of favorable factors and circumstances. We sincerely hope that one such factor may and ought to come true through the efforts to tighten cooperation between ours and the Soviet economies. Similarly, an earlier achievement of favorable results of economic reform, now in the introductory stage, may favorably change the aforesaid evaluation. We must not, however, assume in advance that this situation will develop too favorably.

On the global scale limited investment possibilities will be followed by essential changes in financing and in investment structure which stem from the premise of our reform presently being introduced.

This reform anticipates an aim-directed assumption of the total amortization directly by independent enterprises. That would mean that these enterprises will have to assume the main burden of modernization-restitution investments. Taking into consideration the scale of accumulated amortization means and the use of bank credits, the enterprises will become, in the aim-directed model, the main level which will decide the means of investment. Therefore, a completely new situation is being created.

While in a transitional period, we must consider centralizing amortizational means, as it has been happening during 1982. However, even should a need for continuation of such a practice continue, it is estimated that the enterprise self-generated means of investment will constitute at least 20-25 percent of the total national investment during five-year period, 1986-1990. That means their participation will increase several times over.

As a result, this will essentially reduce the participation of the presently realizable investments in central investment. We are estimating their participation in the total investments of the nation to fall from about 65-70 percent in the seventies to about 25 percent in the aim-directed model.

By the same token, future investments will not play such role in our economic development as they have so far; even though the government continues to influence the directions of our country's investment policy through a direct allocation of the parts of central investment means and through its banking credit policy. This is a fundamental change to be considered.

In order to alleviate maximally any negative effects of these investment limitations for our economy till 1990, intensive action must be directed the following three ways:

First, such action must go to substantially increase the restorative-modernizing investment role. The central effort of our investment policy must be directed to the maintenance of the technical shape and to a modernization of the already possessed property. Thus, the chief form of our industrial investing should be of the restorative-modernizing nature, coupled with the introduction of such structural changes which this form of investing makes possible. These should also be coupled with the synchronization of our economic potential by a removal of the production bottlenecks. The share of these forms of investing ought to increase in 1990, at least up to 60-70 percent of the total industrial investment, as compared to the annual average of 25 percent for the years 1976-1980.

The above increase could not be possible, however, without a fundamental intensification in the domestic production of equipment, spare parts and repair or modernizing elements indispensable to the maintenance of production abilities in the presently existing enterprises.

Second, high priority must be assigned to repairs and to a concentrated effort for making these repairs efficient. This requires that some very essential changes occur in the social consciousness and attitudes of our society in such matters as: Capital depreciation, employee neglect of repairs, their disregard of exploited property. The present negative treatment of these matters must in no way be condoned in the future.

Third, a better use must be made in exhausting the relocative possibilities of possessed property through the purchase-sale principle between the enterprises and sectors. This may become an alternative way to undertaking new investment and it may reduce the present emphasis on investing.

Taking into an account our present conditions and investment limitations, our economic restructuring should chiefly follow the path of the smaller or larger adjustment efforts that would require no larger investive means for the period of the next few years, at least until 1985. After 1985 these investments should be gradual and focus on the investments strategic in importance for our country. The appropriate programming efforts must be, however, put into the motion earlier.

The necessity to thoroughly restructure our economy in the conditions of these limited investment possibilities assigns a vitally important role to the developmental research background of this period, to the exhaustive use of all the directional possibilities in setting our production toward savings through gains and through an improved competitiveness of the domestic and export trades.

This period of working out our industrial strategy ought to unite the practitioners and the theorists. The center and the field ought to function as one big school of economic thinking. They ought to verify again all the dogmas, juxtapose for confrontation our gains from the resources with the gains of others, and at the same time with the tremendous future needs. These things ought to be done in order "to catch up with the vanishing time" as said in the Sejm [Polish Parliament] Army General Wojciech Jaruzelski. We may say, without exaggerating, that the next year will decide the future outlook of our industry for many years hence.

The key evaluative question for each plan is: "How would we want to secure our economic development with these means at hand?" Three principal trends in our projections have been identified as the new driving forces in our coming out of the crisis and in the future economic development proposed by the plans till 1985 and till 1990. Using an analogy to the "Three S" principle defining the nature of the economic reform, we can say that the essence of the three-year plan of economic restructuring and the turn originated in that plan can be characterized along the lines of a type of "Three R" comparison.

The first "r" is to denote economic reform and its effect-oriented activities based on the self-financing principle.

The second "r" is to denote restructuring of our economy through a shift to the export-oriented attitude and through the smoothing out of our development obstacles.

Finally, the third "r" is to denote reorientation of Poland's foreign trade to the restoration and strengthening of her connections with the CEMA countries and to developing economic ties with the so-called third-world countries.

This final point ties in, inseparably, with the need to activate the research and development base and with the need to employ the innovative ingenuity of the Polish economy and to reduce, for the time being, the influx of the new technology from the highly developed capitalist countries.

Progress along these lines will decide the future economic development of our country.

AGRICULTURE, FOOD DEVELOPMENT TO 1990 OUTLINED

Warsaw TRYBUNA LUDU in Polish 21 Oct 82 pp 4, 5

[Article: "Ministry of Agriculture and Food Development Recommends: Basic Assumptions of a Program for Agricultural Development and Food Management Up to 1990"]

[Text] The program for agricultural development and food management up to 1990 was worked out through the sustained labors of people who specialize in theory and those who practice, agents of the state administrative and economic authorities, representatives of the Polish countryside--private farmers, cooperatives and state agricultural workers, to all of whom the issues of Polish food management are of concern.

On 28 May of this year, the "Program for the Development of Agricultural and Food Management to 1990" was temporarily accepted by the Cabinet as a "minimum program." According to the instructions of the Cabinet, the material was reshaped and thrown open to broad discussion. The results of this discussion will be instrumental in elaborating the attitudes of the KC PZPR [Central Committee of the Polish United Workers' Party] and the NK ZSL [Chief Committee of the Polish United Peasants' Party], to be carried out by a joint plenum of the issue of agriculture and food production.

In presenting the basic assumptions of the "Program" in the columns of a newspaper, we are hoping to create conditions for a broad popularization of the contents of this important document, a deeper understanding of the demands and conditions of the development of our agriculture and other sectors of food management, and we are hoping to stimulate productive social discussion and a variety of initiatives aimed at implementing the goals of the "Program."

I. Appraisal of Initial Situation

Underestimation of the role of agriculture in the strategy of the nation's economic development was the basic cause of difficulties in the implementation of previous agricultural development programs and plans. This generated an

expansion in the distance between the level of technological equipment of Polish agriculture in relation to agriculture in the majority of European countries.

Besides inadequate equipment in Polish agriculture, there is also, in technical resources, a lack of stability in farm policy that is not conducive to the fulfillment of ever-growing production tasks.

The undoubted production achievements notwithstanding, that agriculture could note, especially in the first half of the 1970's, it was not in a position to keep pace with growing public demands for food, resulting to a certain degree from the population growth in the nation, during the decade 1971-1980, of over 3 million persons. It operated like this chiefly as a result of errors in economic policy, leading to an increase in the disproportion between the rise in the population's earned income and the low price level, which results in excessive rise in demand for food staples, especially meat products that are the most subsidized.

The consumption of meat per household rose from 53 kg in 1970 to 74 kg in 1980. Forced by market demands, growth in meat production to a greater and greater degree proceeded with the growing cost of grain and fodder imports from 2.2 million tons in 1970 to 8.5 million tons in 1980.

Traditionally a food exporter, Poland became, on balance, an importer of food.

In the years 1976-1980, the share of imported fodder rose to 18.4 percent of the country's total use of fodder.

Based on high grain and fodder imports, grain-intensive production in the State-controlled economy is overdeveloped and the specialization of private farms is not always rational, relying on a concentration of livestock production that exceeds the fodder capabilities of the farms.

Parallel to the development of production in large farms, a drop in livestock production in a large group of private farms occurred. The cause of this situation was the holding of retail prices of food products at too low a level in relation to the procurement prices of agricultural products as well as retail prices of manufactured goods during the 1970's.

The concentration of investment outlays for the construction of farm buildings generated a reduction of investment outlays for crop production growth, such as land reclamation, among other things.

The production potential of the agricultural-consumer industry was considerably enlarged, particularly the meat, poultry-breeding, fodder and dairy industries. However, essential improvement in expanded distribution for this industry was not achieved, a delay in the development of a processing industry for crop produce, especially grain-mill, sugar-mill and potato, occurred, and progress in the modernization of old production plants was inadequate.

In the case of essential needs, the preserved base of fresh agricultural products is inadequate and generates high losses in raw agricultural goods.

The fundamental problem in the development of processing capabilities in the food industry also is the inadequate supplement of key plants with a network of small--in the local sense--processing plants that increases the transport-intensiveness of raw materials and finished products, as well as generates the so-called "fatigue" phenomenon in food products.

## II. Basic Aims

The essential aim of all of the political, economic and organizational resolutions in the "Program" is the assurance of ample food for the people, with a simultaneous, gradual achievement of food self-sufficiency for the country; in other words, the aim is the balance of foreign trade in agricultural food goods.

The present economic capabilities of the country do not allow further import of food, all the more because prices for agricultural food products are rapidly increasing in the world markets. Thus, only the purchase of raw agricultural products and food supplies determined to be an indispensable supplement to production in the country can be continued.

The attainment of self-sufficiency demands an essential shift of the entire national economy to items demanded by agriculture and the food industry, as well as to a determined improvement of management efficiency in agriculture.

## III. Chief Policies of Action and Ways for Implementation

### 1. Economic and Social Policy

For the solving of food problems, the reorganization of agricultural economics, the reinstatement of suitable and preferable proportions in the internal structure of production, assuring full utilization of its agricultural land, its preservation and conservation of natural environments, are of considerable importance. Legal and economic regulations, the basis for equal treatment of all agricultural sectors and responsible for creating perspectives for their development, work toward this direction.

Legal and economic devices serving in the preservation of the land and the natural environment in the face of waste and devastation are being and will continue to be perfected. They should be better and better assisted by active members in society and the consistent efforts of the administration.

In order to increase interest among farmers for rational soil management and better utilization of soils, stability in peasant ownership of the land and its inheritance was legally certified. Legal terms for a suitable turnover of the land between sectors and within a private farm were also created. Rights were granted to socioprofessional organizations of farmers to jointly decide on the method of utilizing farm lands.

Pressure from the finest landholders is being applied for full production utilization of farm lands and a strong development of soil management. There will be a striving for better utilization of the potentials of the land that

will be in the possession of the State Land Fund [PFZ], whose region experienced an increase in recent years and raises close to 900,000 per hectare. Farm settlements will be a supplement to the forms of soil management still used by the PFZ.

Accepted as an important element of agricultural policy is the intensification of land accumulation processing, which leads to an improvement in the structure of the region and in the organization of private farms. The facilitated turnover of land as well as the sale of lands from the PFZ will serve this improvement.

A modernized pension system should be one of the factors stimulating the process of land accumulation and influencing the improvement of land utilization. Also conducive to the land accumulation process will be the system of economic devices, creating advantageous conditions for the growth of marketable commodity farms and development of inferior lands.

Restrictions are expected on the transferring of lands for nonagricultural purposes and a widespread assumption of recultivation of those lands which lost or reduced their agricultural production capability. Also anticipated is a tightening of regulations in the conservation of all lands, particularly those most fertile. Frugal area standards for plans and investment realization will be strictly observed. Lands for agricultural production, taken over under deferred capital expenditure, will be reclaimed on the spot or will be relinquished at an opportune time. The rate of reduction for stores of croplands will drop by half--that is, from 60,000 to around 30,000 hectares semi-annually.

Conditions will be created for the modernization of farms and development of production specialization through the assurance of aid from the aspect of agricultural advisory service in farm management, as well as the use of tax reliefs in the case of farms investing in capital expenditures. Cooperation between agricultural sectors, particularly in the area of specialized production and coproduction as well as reciprocal performance of services, will be encouraged.

In the sector of combined agriculture, for both state agricultural farms and agricultural producer cooperatives alike, conditions will be created for a stable growth of interest and responsibility among the workforces for economic results, improvement in the efficiency of farming, and full utilization of large-scale farming.

The State attaches great importance to production growth on dual-occupation farms and, thus, will show them extensive care and grant them essential aid. Development of these farms, in which the work of the farmer or the members of his family, beyond the farm, does not negatively affect the level of agricultural production, will be encouraged. On the other hand, for those owners who will want to augment their farms, to give them over completely to agriculture and go to work exclusively on them, the purchase of additional land will be facilitated. Whereas in the case of a decision to work exclusively outside the farm, a sale of the land--in parts or in its entirety--will be facilitated on profitable terms.

Terms favorable to the growth of agricultural production on workers' allotted plots and on those not determined as farm plots (less than 0.5 hectares) will be created. This will allow a further utilization of the land, its space and marginal animal fodder.

Particular care will be given to and conditions will be created for the development of workers' allotted plots in which the intensive garden production considerably improves the urban population's supply of fresh fruit and vegetables, and which also creates conditions for desirable recreation.

The control system for agricultural growth and food management will be accomplished in accordance with the terms of the agricultural reform.

First of all, such economic devices as the following will be employed: prices, credits, interest rate, taxes, and subsidies. Orders-distribution methods of control by the agricultural and food industries will be eliminated as the situation improves in the area of production equipment.

The current 5-year cycle will be a period of gradual liquidation of food subsidies.

The system of official prices (fixed centrally) for agricultural products, the means of production and food articles will be adapted elastically to the upcoming changes according to the demand and supply taking shape. Procurement prices for agricultural products will be set at a level covering socially justifiable production costs as well as appropriately guaranteeing an income for the farming population. The rate for revising procurement prices in proportion to the changes arising in production costs will be observed. Changes in procurement prices will be carried out in a way that will assure an exertion of strong influence on the increase of desired production.

Agricultural reform will balance the incentive base for work by collectivized agricultural and food management enterprises, and private farms alike. Production growth and a drop in the cost of individual output will be the first and foremost factors guaranteeing profits and wages.

The farming population will be guaranteed a profit level not lower than the profits secured by workers employed outside the agricultural area of the state economy.

The chief phases of social policy in the countryside will concentrate on:

- an improvement of working conditions in agriculture, with particular regard to job security and work safety,

- an increase of aid to young farmers in the stage of starting independently in the profession as well as aid to a person not fully proficient,

- an improvement and broadening of the scale of social safeguards for farmers and their families,



--an expansion of the technological and social infrastructure in the country, aiming at balancing the disproportions in living conditions between the country and the city.

State farm policy aims to develop versatile social initiatives in farmers, increase their role in jointly deciding country and agricultural issues, and to develop and strengthen a broadly interpreted rural, agricultural and collective self-government, that will be a permanent element in agricultural and food management development, and will represent and guarantee the defense of farmers' interests as well as organize social life in the country.

An especially significant role falls to farmers' social-professional organizations, agricultural circles, circles of country housewives, branch associations and their federations. A new law passed by the Sejm gave comprehensive powers to the sphere of representation and defense of farmers' interests and jointly deciding on the social, economic and cultural development of the country.

The draft law on people's councils and territorial self-government anticipates a restoration of great importance and right that is an essential link in self-government--rural assemblies.

State policy will also promote development work done by youth unions as well as sport and tourist organizations developing useful work among the country youth.

## 2. Means of Production

Growth in the supply of means of production will be an important factor in the development of food management in the 1980's. In order to overcome the long-term neglect in those industries manufacturing the means of production, a re-orientation of the entire national economy to food management issues will be carried out; and, therefore:

--deliveries of fertilizers for the 1985 harvest will be guaranteed at a level of 214 kg of NPK [nitrogen-phosphorus-potassium], compared with the consumption of 186 kg of NPK per 1 hectare of cropland for the 1981 harvest.

An unusually important issue, given these quantities of deliveries, therefore, will be the efficient utilization of these fertilizers.

By 1990, the growth of fertilizer deliveries will be set at 230 kg of NPK per hectare of cropland.

By 1985, deliveries of soil lime will grow to 160 kg of CaO+MgO per hectare of cropland, and in 1990 it will grow to 200 kg of CaO+MgO per hectare. The assurance of these quantities of lime is essential with regard to the persistently large portion of excessively acidic soils and the growing drop in the magnesium content of the soils.

In order to improve the effectiveness of mineral fertilization along with fertilizing soil with lime, and a better utilization of organic fertilizers, an improvement in agricultural engineering and the use of insecticides will be essential.

--The use of chemical insecticides per 1 hectare of arable soil in 1981 amounted to 0.8 kg of an active substance, while in other countries in the RWPG [Council for Mutual Economic Aid] the amount was from 2 to 5 kg. As a result of the growth in deliveries of pesticides from domestic production and from imports, consumption in 1990 will increase to 1.5-2 kg--assuming the current structure of varied pesticides.

--Emerging from a state of inadequate agricultural equipment for technological means of production, considerable improvement is being started in this sphere. In 1980, the value of agricultural equipment amounted to about 300 billion zloty, that is 16,000 per 1 hectare of cropland, and in 1990 the value will reach 750 billion zloty, that is about 30,000 zloty per 1 hectare (according to 1980 prices).

The expansion of factories producing tilling and cultivation tools, and machines for harvesting hay and green forage will follow. The production of small tractors and motorized implements, ultimately in amounts of 30,000-35,000 pieces annually, will be set in motion in our country. The assortment of machinery supplied to agriculture will be expanded from the current number of 380 types to 1,300 types demanded by the National Farm Equipment System [KSMR], which will favorably affect the production flowlines that were worked out to complement one another. In the course of the next few years, the problem of equipping agriculture with simple tools and machinery will be solved.

Mechanized agricultural transport will be developed. Fifty percent of its tasks are fulfilled by farm tractors, 35 percent by horses and 15 percent by cars. An improvement of this unprofitable structure will be achieved by supplying agriculture with multipurpose farm vehicles adapted for transporting agricultural produce, food supplies, livestock, manufactured means of production, and for the application of chemical measures.

An improvement in the supply of spare parts will take place through the growth in output capacity in the machine industry, by a further implementation of the recovery program as well as by setting up spare parts for agricultural production in technical facilities, and through production growth in small-scale industry plants and businesses.

Legal responsibility on the part of the producer for the organization of technological service, for the continuous operating condition of the machinery through the delivery of spare parts, for the financial consequences in the case of a shutdown of the machinery due to a shortage of parts, including the replacement of an inefficient machine with an efficient one, will be introduced.

In order to utilize farm equipment more efficiently, to bring those who perform certain services closer to the places where those services are carried out, and to improve their quality and promptness, along with existing forms of services rendered through cooperative farm circles (cooperative farms services), services rendered by rural mechanics' shops will be expanded and the neighboring farmer's aid as well as the use of services rendered by the PGR [State Farms] and the RSP [Agricultural Cooperative Farm] will be supported.

Development of new forms of services will be supported by a guarantee of the allocation of equipment, the granting of credits and other economic devices.

During the current 10-year period in the food industry, there will be a gradual replacement of machinery: what is essential with regard to its technical use, of obsolete construction and its technical-working parameters do not conform with the production flowline progress in food processing.

Agricultural reform will promote the growth of the production potential of enterprises through a modernization of existing production capabilities as a cheaper method rather than the building of new plants. The demand for a manufacturing line with a high output as well as modern construction, and saturated with automation, will arise.

The value of machine supplies and production flowline devices for the processing industry in the years 1981-1985 will amount to about 40 billion zloty and, in the following 5 years, in the range of 55-60 billion zloty (in 1981 prices).

An automated industry will guarantee a supply of machinery and devices, with particular regard to machinery for the preparation of grain, seed oil, potatoes, sugar beets, fruits and vegetables as well as milk--including devices for the bottling and packaging of food. In the production and delivery of machinery, the demand for simple production equipment for small manufacturing plants situated in rural centers, managing surpluses of raw materials for the countryside and the local market, also will be taken into account.

### 3. Capital Expenditures

According to the idea of the resolution of the Ninth Special Congress [NZ] of the PZPR, affirming the central decisions of the Policy Bureau [BP] of the KC [Central Committee] of the PZPR and the NK [Chief Committee] of the ZSL Presidium from January 1981, the share of agriculture and the food industry in outlays should altogether amount to 30 percent in the current 5-year period.

In relation to the general decline of investment outlays--investment outlays reserved for agriculture and the food industry in 1981-85 are still only 80 percent of the sums spent in 1976-80, and for 1986-90 the sums will be closer to the level of the past 5 years. The scale of expected outlays will allow the supplying of only the essential needs of priority management without the capabilities to maintain the rule of steady development for all branches of food management.

Those undertakings with the following goals will be preferred courses of capital expenditures:

--raising the level of land productivity and, above all, the drainage and supply of water for agriculture and the countryside,

--a reduction of losses in agriculture and processing (the most painstaking cultivation of crops and servicing of agriculture, and a development of refrigeration engineering),

--the expansion and modernization of production potential in branches that determine the supply of food articles to the market; namely, the dairy, grain-milling industry, baking, potato, oil-producing, tobacco and fruit-vegetable branches,

--the mechanization of entire production flowlines, especially in the production of grain, fodder and milk.

An active credit and price policy, promoting especially the preferred directions in agricultural production, will promote a stimulation of credit expenditures. The growth in deliveries of farm implements, as well as the improvement in the supply of building materials--which is also a result of the development of local production--are sure to further the stimulation of credit expenditures.

Regulated water management is of essential importance for the intensive cultivation of grain and other industrial and fodder crops and, therefore, also for the capability to increase livestock production.

Land reclamation measures are required for about 9.8 million hectares of croplands in the country. Only 6.3 million hectares have been reclaimed. Because of the aging of reclamation devices, 120,000-150,000 hectares should be reconstructed annually, primarily in northern voivodships and in western ones that have reclamation systems of several score years ago. However, according to financial and material capabilities, the assumption of reclamation work will be possible for the following areas:

<u>Number</u>	<u>Type of capital expenditure</u>	<u>During the years</u>	
		<u>1981-1985</u>	<u>1986-1990</u>
1	Reclamation of croplands-- thousand hectares, including drainage	700.0	1,100.0
		540.0	900.0
2	Development of grasslands--thousand hectares	260.0	400.0
3	Sprinkling irrigation--thousand hectares	25.0	40.0
4	Leveeing--km	800.0	1,500.0
5	Storage reservoirs--million cubic meters	100.0	150.0

The maintenance of water-drainage devices will improve through a better equipping of working units in machines and devices, an adaptation of their system to local demands as well as assurance of means for the resumption of maintenance allowing to keep water-drainage devices in operating condition.

In order to secure improvement in the populace's living-sanitation conditions in the country and also to create favorable conditions for the development of livestock production, credit expenditures will be accelerated in the capacity of supplying agriculture and the countryside with water. Capital expenditure means will be directed through the state to regions with the current worst shortages of water as well as shortages of capabilities for production growth.

The extent of the concentration of building compared to the construction of collective waterworks of high priority, including several or even a dozen or so housing complexes, together with the collective state farms that are located there, will also be taken into consideration. In the cost of the construction of waterworks systems, a portion is set up with the individual resources of private farmers who benefit from the supply of water to their farms.

By 1990, a total of 26 percent of private farmers will be supplied by collective waterworks, while 20 percent will be by waterworks on the individual farm.

A portion of the losses in raw materials and food can be eliminated as a result of the work of capital expenditures. The established improvement of farm equipment for technological means of production and the expansion of preservation and storage capacities does not, however, create adequate conditions for a resolute limitation of quantitative and qualitative losses.

A range of credit expenditures, in its structural nature, must be centrally invested, since the capital for the development of particular enterprises will not allow, in many cases, the financing of structures for which the cost-estimate price is high (sugar mills, grain elevators, cold storage buildings, and the like).

The growth of outlays for infrastructural investments, chiefly in the area of water-sewage and energy management, will accompany the development of production potentials and the modernization of plants.

#### IV. Production Assumption in Agriculture and the Food Industry

One of the conditions in a harmonious development of agricultural production during the 1980's and beyond will be the elimination of the disproportion between the growth in the production of crops and livestock, as well as the adjustment of the latter to the level of individual fodder supplies, supplemented only through imports, that in 1985 and the succeeding years will together total about 3 million tons of grain and high-protein fodder annually.

The first task standing before agriculture is to achieve substantial growth in its domestic fodder production, but particularly in grains. It is anticipated that grain production will grow through an increase in yields. There are also certain capabilities of growth in the acreage of the collectivized farm. The profitability of grain production will rest on an appropriate policy of procurement prices.

It is expected that growth in the range of types and more fruitful variants will influence an increase in grain yields to 28 quintals in 1985 and 30 quintals in 1990, along with mineral fertilization, insecticides and an improvement of water ratios and better agricultural engineering.

The fodder situation forces the circumstances still existing, in which potatoes are kept as fodder for the herds. In order to increase crops, with a reduced acreage of tillage, intensive cultivation will be conducted as well as efforts serving to improve agricultural engineering.

Increasing the sugar content of the beets will be the aim of cultivating the sugar beets.

An increase in the turnip production is of great significance not only for the oil-producing industry, but equally for livestock production, as a product supplying protein fodder, thus substituting for the high-protein imported fodder. This demands high yields and dependably yielding varieties of these crops.

The growing of papilionaceous crops plays a special role. The high protein content of papilionaceous crops is essential from the angle of balance between fodder and human consumption. An expansion of acreage for the growing of leguminous crops for seedgrain is being established--from 188,000 hectares in 1980 to 300,000 hectares in 1990.

Considerable pressure will be exerted for the improvement in the utilization of grasslands--especially through recultivation, improvement in agricultural engineering, manuring with lime, fertilization, and regulation of water ratios.

An increase in the production of vegetables and fruit will occur chiefly as a result of a growth in yields.

By the institution of an increase in mineral fertilization up to 214 kg of NPK per hectare of arable soil in 1985 and at least 230 kg of NPK in 1990, conversion-factor yields of all raised crops will total, respectively, 34 and 36 grain units per hectare.

#### Crop Production

Num- ber	Item	Unit of measure	1980	1982 p.w.	1985	1990
I.	<u>Crops</u>	thousand tons				
1.	Grain	"	18,336	21,200	23,000	24,600
2.	Sugar beets	"	10,139	14,000	16,500	17,000
3.	Oil-producing products	"	583	440	910	1,000
4.	Potatoes	"	26,391	33,800	45,200	44,000
II.	<u>Purchasing Center</u>	thousand tons				
1.	Grain	"	2,673	5,500	6,600	7,200
2.	Sugar beets	"	10,139	14,000	16,500	17,000
3.	Oil-producing products	"	576	420	880	950
4.	Potatoes	"	2,357	5,000	6,500	8,500
5.	Vegetables	"	995	1,120	1,500	2,000
6.	Fruit	"	791	968	1,000	1,300

An important task for agriculture in the 1980's is to achieve higher--as opposed to past periods--livestock production from existing fodder supplies. This demands both a change in feeding technology, in order to increase efficiency in the utilization of fodder and a reduction of grain-intensive livestock production, and a growth in livestock production, chiefly through improvements in feeding and animal hygiene conditions, and advancement in veterinary care.

The production of milk is the chief goal of livestock production. This production, yielding the full value of and yet the most inexpensive form of animal protein, is the least fodder-intensive and, at the same time, is to the least degree dependent on imports for the course of livestock production. It is expected that milk products will grow systematically up to 17 billion liters in 1985 and 18.5 billion liters in 1990--both as a result of the growth of stock and the output of dairy cows.

A reduced production of slaughter livestock, due to the gap in fodder stocks and the decrease in imports of grain and fodder by about 5 million tons of grain units will accompany the increased production of milk, eggs and wool in 1985, in comparison to 1980.

Slaughter livestock production, over 400,000 tons lower in 1985 than in 1980, will be three quarters lower, due to the decreased production of slaughter poultry, and one quarter lower due to slaughter cattle.

In the second half of the 1980's, livestock production growth, including slaughter livestock production, will be--through a stabilized import of grain and fodder at the 1985 level (3.6 million tons of grain units)--dependent on the rise of domestic fodder stores. This will allow an increase in the production of slaughter livestock in 1990 by 13.6 percent in comparison to 1985. During the years 1986-1990, the production growth of slaughter hogs is anticipated to be 13.6 percent, whereas slaughter beef will be 24 percent.

Implementation of the program for intensive fresh water fish production will allow a doubling of production by 1990.

Food industry production will grow at a faster rate than agricultural production, toward the assurance of better utilization of agricultural raw materials.

With the general growth in production, fundamental changes will take place at the rate of development of particular branches, just as in the stock structure. These changes are a result, above all, of the basic commodities from the maximum storage of domestic raw materials and from the necessity to cover market demands for standard food articles.

In the present 10-year period, considerable changes will take place in the rate of development of processed animal raw materials. Only a slight growth in the production of meat and meat products will occur, while there will be a significant growth in the production of milk and dairy products. In order to assure a raw materials base for processing, the procurement of milk will grow up to 11 and 13 billion liters in 1985 and 1990, respectively. Conditions for the increased utilization of this raw materials base by small-scale producers will be created: by setting a limit on the procurement of sour cream, among others.

Considerable pressure will be aimed at improving the quality and better utilizing raw materials, and at raising qualitative and taste values in finished products.

Shortages of butter will be supplemented through a growth in the production of vegetable fats, especially refined edible oils. In order to generate production growth, the capabilities of processors of margarine and 100 percent fats. Moreover, the import of higher quality oils in 1985 in the amount of 90,000 tons, and 120,000 tons in 1990, is anticipated.

For full coverage of the expected level of grain products for consumption, the production of these products will rise by about 25 percent.

The assurance of essential conditions for the production of sugar beets, the shortening of the sugar beet campaign and the expansion of processing capabilities will allow sugar production to guarantee the essential market demands, will allow the export of sugar in the amount of 300,000 tons in 1990, and will allow coverage of the orders from the sugar, fruit and vegetable industries.

The development of fruit and vegetable production and also the growth in their procurement will create favorable conditions for an expansion of industrial production by about 35 percent.

#### Livestock Production

Num- ber	Item	Unit of measure	1980	1982 p.w.	1985	1990
1.	<u>Stock</u>	thousand pieces				
	Cattle	"	12,649	11,912	12,500	14,500
	Cows	"	5,956	5,835	5,900	5,900
	Hogs	"	21,326	19,471	20,500	23,000
	Sheep	"	4,207	3,899	4,500	5,000
	Horses	"	1,780	1,739	1,600	1,400
2.	<u>Livestock production</u>	thousand				
	Slaughter cattle, in general	tons	4,410	3,380	3,955	4,500
	--pork	"	2,220	1,900	2,200	2,500
	--beef	"	1,354	1,040	1,250	1,550
	--poultry	"	599	250	300	300
	Milk	billion liters	16.0	15.4	17.0	18.5
	Eggs	billion pieces	8.8	7.9	9.0	9.5
3.	<u>Purchasing Center</u>	thousand				
	Slaughter cattle, in general	tons	3,796	2,681	3,315	3,980
	--pork	"	1,878	1,472	1,850	2,150
	--beef	"	1,282	970	1,150	1,500
	--poultry	"	489	140	200	200
	Slaughter cattle, in general, per weight of meat	"	2,583.3	1,794	2,250	2,700
	Milk	billion liters	10.0	9.4	10.5	13.0
	Eggs	billion pieces	3.6	2.9	3.5	5.0
	Wool	thousand tons	12.5	11.5	13.7	15.5



In the group of products which are highly processed, there will be considerable rise in the production of goods for children.

The development of freezing and refrigeration will further a reduction in losses of food as well as further a considerable increase in the production of frozen fruit and vegetables, and cooking wares, by 1990.

Small-scale and handicraft industries will fulfill an important role with regard to the limited capabilities in the development of the potentials of a key industry. It will allow the fullest stocking of agricultural raw materials, it will curtail redundant transportation and will induce a better stocking of the local market with food articles.

#### Production of the Most Important Products by the Food Industry

Num- ber	Item	Unit of measure	1980	1982 p.w.	Forecasts	
					1985	1990
		thousand				
1.	Flour, in general	ton	3,428.4	3,740.0	4,000.0	4,300.0
2.	Macaroni	"	95.1	92.0	105.0	115.0
3.	Aged cheese	"	94.0	88.0	100.0	130.0
4.	Butter	"	253.0	217.6	230.0	260.0
5.	Cottage cheese	"	204.0	180.0	260.0	300.0
6.	Oils and edible vegetable	"				
	fats, including:		275.0	270.0	338.0	374.0
	margarine		184.5	196.0	220.0	240.0
7.	Fish (catches)	"	791.0	538.0	575.0	580.0
8.	Sugar	"	1,684.7*	1,620.0	1,750.0	1,800.0
9.	Goods for children	"				
	(resort)		9.2	9.2	30.3**	33.7
	(CZS Mlec.)	"	24.4	24.0	28.0	33.0

\* Anticipated production on conditions of obtaining a license from the health department to produce vegetable-meat products in the meat industry

\*\* Thousand tons

#### V. Consumption

Taking into consideration the capabilities of agricultural production and the food industry, and the recommendations of science on human nutrition, changes in consumption in the current decade will take the following form:

--In the group of products containing animal protein (milk and dairy products, eggs, fish and meat)--because of a reduction in meat consumption and the need to assure adequate amounts of animal protein in the diet--an increase or at least a maintenance of the current level of egg consumption, as well as a growth in the consumption of milk and its products (with the exception of butter). The consumption of fish is shrinking as a result of external difficulties, which includes foreign exchange in the maritime economy. The level of production and consumption results from current estimations of the capabilities for development of the domestic economy, and consequently from the

supplying of agriculture with the means of production, particularly yield-production (mineral fertilizers and insecticides).

In the case of a more rapid--in comparison to the present estimations--improvement in the state of the nation's economy, enabling the development of the capabilities of the chemical industry, conditions for the expansion of the production of mineral fertilizers and insecticides could arise. Through the expansion of mineral fertilizers to 250 kg of NPK per 1 hectare, and insecticides to 2.5-3.0 kg per hectare in 1990 grain yields would grow to about 32 quintals per hectare and all crops to about 37.5 grain units from 1 hectare. This would enable the expansion of food production to grow by at least 350,000 tons, which would assure the expansion of meat consumption per household to 70 kg; that is, by about 7 kg more than results from the basic variety of development in farm production.

--consumption of products from the carbohydrate group (grain products and potatoes) will become stabilized;

--consumption of food from the group including fruit, vegetables and leguminous crops, composed of rich sources of plant protein, will increase;

--in the group composed of fats, consumption will be maintained on the current level, although through an increased portion of vegetable fats.

The anticipated consumption structure of food products will guarantee a daily nutritional ration of about 3,500 kilocalories and over 90 grams of protein in all, of which about half will be composed of animal protein.

#### Consumption of Basic Food Articles Per Household

Group of Products	Unit of measure	1980	1985	1990
Meat and its byproducts	kg	74.0	58.0	63.0
Milk and its byproducts (excluding butter)	liters	262	275	285
Eggs	pieces	223	222	225
Fish and its byproducts	kg	8.1	5.6	5.6
Fats in general (commercial weight)	kg	24.8	23.4	25.1
Of this:				
butter	kg	8.9	7.0	7.5
animal fats	kg	8.1	7.3	8.0
vegetable fats	kg	7.8	9.1	9.6
Grain products	kg	127	127	125
Sugar and its byproducts	kg	41.4	39.8	40.8
Potatoes	kg	158	160	160
Fruit and its byproducts (converted to fresh)	kg	37.7	45	50
Vegetables and byproducts (converted to fresh)	kg	101	120	125

9891

CSO: 2600/62

ROMANIA

EFFORTS BEING MADE TO COMPLETE DANUBE-BLACK SEA CANAL

Bucharest LUPTA CFR in Romanian 24 Sep 82 pp 1,5

[Interview with Col. Gen. Vasile Ionel, deputy minister of transportation and telecommunications, general manager of the Danube-Black Sea Canal Central, by Engr Ionel Chiru]

[Text] The conclusions of the talks held by the leader of our party and state, Nicolae Ceausescu, during his recent work trip to this construction site, with officials of our ministry and with other experts indicate that by the better organization and mobilization of human and technical resources, 1 May 1983 may see traffic on this water route. The Danube-Black Sea Canal project, the largest investment project under this five-year plan, through which this country will acquire a new navigation thoroughfare of outstanding importance, has thus reached the stage of countdown. The highly responsible task allotted must be completed unconditionally.

Presently, work is in full swing on all construction sites. High rates are being attained. In its desire to back these efforts our newspaper has devoted a weekly column to the builders of the canal. To obtain an overall report on the stage in the execution of the measures taken and on what still needs to be done we interviewed Col. Gen. Vasile Ionel, deputy minister of transportation and telecommunications, who heads the project in his capacity as general manager of the Danube-Black Sea Canal Central.

[Question] What is the present stage of the project? What are the "hot spots" on which efforts must be focused so that the canal may be navigable on schedule?

[Answer] Work on this project of great importance to our national economy, the Danube Black Sea Canal, is in an advanced stage of construction. When making this statement I have in mind not only work on the waterway of the canal but also the other facilities such as the harbors, locks, bridges, pumping stations, and so on.

The task set by party secretary general Nicolae Ceausescu during his survey and work trip to the canal construction site, last June, stipulates that navigation on the canal must open on 1 May 1983.

Consequently, all the programs worked out, which underlie our activity, stem from this task, that all the working people on all the construction sites know and have endorsed.

You all know the route of the canal and its chief characteristics. It has been agreed that the canal opening, from the Danube, be considered as km 0. Proceeding from this kilometer toward kilometer 64 -- the opening into the Black Sea -- one may note that:

- a. In the so-called "Cernavoda knot," work on the new Cernavoda harbor, at the lock and the waiting harbors, the joint railroad and road bridge, the pumping station at km 4, are in full swing and by and large meet their schedules. A certain delay only is involved at the Cernavoda lock, but it could be eliminated;
- b. As far as Medgidia and further on, as far as km 35 it is possible to navigate on the canal, some interruptions being only temporary, as they are caused by work involving shutoff of some facilities -- the pumping station at km 18 and several road and railroad bridges -- projects in advanced stages of construction, some even ahead of schedule. In the area of Medgidia town, intensive work is proceeding on assembling the metal decks for the two prospective bridges over the canal -- one for the road and one for the railroad. I point out that the infrastructure and the concrete superstructure of these bridges have been completed many months earlier;
- c. From km 35 as far as km 51 it is possible to use the canal, but by means of motor-vehicles, the bottom of the canal being at the projected level, of +0.5 m. In this stretch, a very great volume of earth has been excavated, carried by facilities of the Automotive Transportation Central and of the Danube-Black Sea Canal Central to adjacent dumps, which also are in preparatory stages for being transferred to agricultural units. In the area of the Basarabi locality, work is proceeding on assembly of the metal deck, which was recently delivered by Rimnicu Vilcea IUCF for the prospective road bridge, whose infrastructure and concrete superstructure have also been completed several months earlier;
- d. From km 51 to km 60 it is possible to go through the canal, but at levels which differ from the final level, with intensive work proceeding on excavations and bank protection. In this sector the planned rates have not yet been attained;
- e. From km 60 to the Black Sea occurring are a canal stretch which is almost completed, the future bridge on D.N. 39, over the canal, under construction and the lock at Agigea, with its waiting harbors, in stages of execution which, by and large, correspond to the charts.

You asked a question relating to the "hot" spots where efforts need to be concentrated, so that the canal may become navigable on schedule.

I can state that efforts must be focused on all projects to complete them on schedule, because some condition others and all condition the opening of the canal. However, "hotter" are the operations at the Cernavoda and Agigea locks, at the road and railroad bridge over the Cernavoda lock and, especially, the excavations, bank protections and support walls in the so-called "ridge area," between km 52 and km 60.

[Question] How is work done in these areas?

[Answer] Technical forces and means that correspond to needs are involved in all the projects. True, in some areas, the need is still felt for some specialized

workers, but thanks to the measures approved by the top executives of the party and state, this difficulty is in the process of being eliminated.

For all operations, detail programs and charts have been worked out, they have been discussed with the collectives of working people and are being constantly monitored, with the analysis of their implementation being made daily at the level of formations, lots, and construction sites and weekly, at the level of units and central.

Measures were taken for expeditious information, so that various difficulties occurring on work sites may be handled by the proper bodies of the units, central or ministry.

Together with the overall designing unit, IPTANA, whose presence on the construction site has become permanent, experts reviewed some construction techniques and new techniques were adopted where this was necessary, so that the operations may be completed in the planned periods, without, however, affecting their quality.

Two or three shifts operate on all construction sites, with interruptions during the 24 hours only for meals.

Much attention is paid to technology, a decisive factor for completion of work.

We receive support for proper technical-material supplies, even though problems remain to be resolved, specifically those caused by lack of some spare parts.

[Question] What should be done specifically to accelerate the rate of work on construction sites, so that the programs formulated may be completed, to meet schedules?

[Answer] As I stated before, for the smooth development of operations and fulfillment of the task set in regard to the opening of navigation on the canal, detail programs and charts were worked out. Their implementation and exact meeting of schedules are mandatory requirements for all constructors; any deviation causes discrepancies with unsatisfactory results. Possible delays must result in prompt replanning and, based on firm steps, must be swiftly eliminated.

In the first place, we must utilize all the forces and resources available, at their capacity, as these were sized in accordance to the tasks. Order and discipline must be further strengthened; each man at his place of labor must complete his assignments.

We shall survey and constantly request that the heads of formations, lots and construction sites, all the heads of production processes, properly organize work and totally follow the techniques approved.

The rates that must be attained on every shift, day or night, are high but feasible. It is not easy to daily excavate 500,000-550,000 cu m or to pour 4,000 cu m concrete.

The efforts are not small which must be made by machine operators on excavation equipment, drivers on dump trucks, carpenters, steel benders and concrete workers on locks, fitters or turners who work on assembly of metal decks for bridges over the canal.

No matter how difficult and no matter how great the efforts may be, the results anticipated and incorporated in the monthly and annual plans must be obtained.

The excavations, a "hot spot" on the construction sites of the canal, mainly depend on the operation of excavators and transportation facilities. We have not yet managed to obtain a CUP of 0.85 and this is the main cause of nonattainment of daily rates.

We shall further request the equipment supplier units to provide us with the spare parts in short supply but also to organize services. However, major tasks are allotted our enterprise for heavy equipment and equipment sections, units where many shortcomings still can be found.

The concrete pouring rates are high but achievements still fail to meet the planned level. The causes only involve our units: organized concrete pouring units are not ensured, especially at the Cernavoda lock and support walls. Consequently, and we focus on this, we must urge the units involved to provide adequate organization, discipline and order.

[Question] What does the support of the others sectors and units of the ministry involve? What should be done further?

[Answer] By Order No 938 of 19 July 1982 of the Ministry of Transportation and Telecommunications, a team of executives from the ministry and subordinate centrals was set up. Its chief task involves support for expeditious resolution of problems of investment projects, supplies, organization, planning, personnel, financing, and the like, with which the Danube-Black Sea Canal Central is confronted. The tasks of this team also involve the analysis of the utilization of construction and transportation facilities and prompt resolution of technical assistance problems.

Within the framework of the surveys conducted in the field and in commands, the minister of transportation and telecommunications, Vasile Buluces, gives us special assistance by the steps which he takes and the tasks which he sets to the bodies in the ministry and subordinate units.

The results of the assistance received from the minister are evident. I could point out:

a. Provision of the work force in trades in short supply -- equipment operators, concrete workers, turners, carpenters, and the like -- from units under the ministry. I emphasize that so far the construction sites of the canal have received a number of workers that is greater than the planned one, thus partly making up for the non-fulfillments of other ministries. The representatives of the Directorate for Personnel, together with us, analyze, at this stage, the caliber of the workers sent in, taking measures to replace the ineffective ones, true, few in number, and to see that the assignment period is not exceeded;

b. Energizing of the fleet of transportation facilities by the Automotive Transportation Central, a drive headed by director general Victor Mateevici himself. Moreover, the level of discipline has been enhanced, although much remains to be done. The leading body of the central involved is concerned with and I feel strongly that

intensive efforts will be made for ensuring the amount of active dump trucks, specifically in the "ridge area;"

c. Upgrading of the material base, in accordance with the tasks in the production programs. In line with instructions from the top, DGAD in the ministry, in conjunction with the proper bodies in our central have taken measures to daily monitor in plants and supply centers the delivery of materials and spare parts, with appropriate results. My hope is that further efforts will be made to promote smoother supplies;

d. Active participation in repairing some machines and installations by Cluj-CMMR, Craiova-IMMR, Chitila-IPIC, Otopeni-IUDP and some enterprises under CIRA. Because of the need for maintaining the greatest possible number of machines in operation, I firmly believe that all units that were allotted specific tasks by the ministry's leading body will prioritize special arrangements for conducting and completing repairs.

Furthermore, our central and subordinate units must keep close contact with specialized units for prompt integration of planned machines into the repair process.

I express sincere thanks to the leading body of the ministry and subordinate units for the support received and also my assurance that we shall work with full responsibility to fulfill our assignment.

11710

CSO: 2700

## DEVELOPMENT OF INTERNATIONAL TOURISM BY COOPERATION EFFORTS

Bucharest REVISTA ECONOMICA in Romanian No 36 10 Sep 82 pp 9-10

[Article by Dr Ioan Georgescu: "The Development of the Tourism Industry Through International Economic Cooperation"]

[Text] The maintenance of a high level of demand in the world tourism market, even during the current international economic circumstances, once again verifies the conclusion reached by sociologists - that to enjoy free time in nature for recreation or learning has become a major motivation for man in contemporary society.

Our country's specific position, with regards to both the managed and manageable potential for tourism and the closeness of the supplying markets of certain significant numbers of tourists in international traffic, gives the Romanian tourist industry solid premises for development.

Bringing tourist resources into the economic circuit, which, today, are as coveted on the international market as iron, coal or petroleum, certainly requires investment funds (including hard currency funds) in order to equip facilities for rooms, services and recreation and so forth, activities to which capital from the international market could be attracted. Among the arguments that are made to support the ever more widely accepted opinion that tourism is a top industry in a modern economy, we can mention those formulated by Marie-Francoise Lanfant of the National Center of Scientific Research in Paris:

- the manner of organization (including the use of modern means of transportation, hotel chains, restaurants and cultural and recreational equipment);
- sales and management techniques make demands upon data processing and marketing, using the most recent advances, such as: the use of data bank displays in keeping track of travelers' tickets and hotel rooms, management information system for stocks, marketing programs and publicity campaigns based upon a multilateral sociological analysis of the targeted subjects, using modern methods for segmenting groups and for typology;
- concentrating on large international companies' (Holiday Inn, Sheraton, Hilton International, Intercontinental Hotels, Novotel) management, benefiting from modern instruments that are efficient in management;



- the ability to concentrate and use domestic resources (the sale of foodstuffs and other consumer goods at retail prices; the use of available transportation resources; the use of the natural environment and cultural heritage; the international spread of artisan work; the formation of highly qualified personnel);
- the expansion of tourism to the four corners of the world, with an irreversible trend towards growth.

Just as one of the fundamental components of our party's and state's strategy for the development of foreign economic trade is represented by the expansion of international economic cooperation, in the most diverse forms and in the most varied fields, between Romanian enterprises and enterprises abroad, the achievement of certain joint ventures in the field of tourism appears not only possible and opportune, but also necessary. Thus, although currently the receipts from our international tourism represent the most important element within the framework of the balance of unseen trade, with its contribution to the balance of foreign payments being a significant one (in 1980, it covered 40 percent of the deficit in the trade balance), nonetheless - compared to other European countries - the relationship of tourism receipts compared to those from exports is still modest. Thus, if for Greece this relationship was, in 1979, 42.1 percent, for Portugal 26.1 percent, for Spain 40 percent, for Yugoslavia 16 percent, for Hungary 4.5 percent, in Romania it was between 3.2 and 3.4 percent in 1980.

It can be seen that our country's tourism potential, even after a summary evaluation (and, later, we will come back to this point with some data stemming from a zonal review of Romania), is insufficiently put to use with regards to international tourism. Clearly, the strategic options in the development of the economy by branches have imposed a well-defined list of priorities and, in the future, there will be great requirements for investments in industry and agriculture. But, precisely because of these specific requirements for the development of our economy we cannot exclude from the economic circuit the great natural resources that the tourism industry in our country has available. The now rich experience of the achievements in actions of international economic cooperation in numerous fields - industry, agriculture, construction, international transportation, banking, insurance and education - has demonstrated the mutual advantages that the participants can obtain in these types of actions. In our international tourism, the cooperation with Club Mediteranee and Intercontinental has, likewise, proved fruitful.

In recognizing the contribution that international tourism makes in accelerating the growth of developing regions, the World Bank has financed a series of broad projects for the development of tourism, for example: the development of certain tourist areas in Kenya and Uganda, including hotels and vehicle parks; a complex plan for the development of a new tourist region in Tunisia, including the planning and construction of tourist facilities (hotels, sport facilities, boat clubs and so forth); the "Adriatica-South" project, supported by the United Nations Development Program, and the "Adriatica" highway project supported by the World Bank; the Bali-Indonesian project achieved with the help of the United

Nations Development Program; the training and upgrade training projects for personnel, carried out with the help of the International Labor Office, in Cyprus, Iran, Lebanon, Singapore and Tunisia; and the projects dealing with the study of tourist and cultural heritage and the restoration of historical monuments and places supported by UNESCO. The World Bank has proposed encouraging joint companies in the area of tourism that will ensure the majority participation of developing nations in the capital investments that also attract foreign investors. In addition to financial assistance, technical assistance is also granted in the systematization of areas and regions, including environmental protection. Cooperation with the companies from those countries that provide large numbers of tourists is recommended under the aspect of the international marketing programs that the Romanian organizers can achieve together with the foreign partners. Understanding the motivation for a vacation abroad, the facilities that tourists want, the periods preferred by the various segments of the market and the idea itself of "comfort" while on vacation are complex sociological problems that justify cooperation with the specialized tourism agencies, making use of well-established offices within the partner countries (those providing the tourists) and having experience and prestige. Similarly, activities to promote the Romanian tourist product on foreign markets can be greatly qualitatively improved with the assistance of an eventual foreign partner that is well-established in the market and having agents in the main urban centers and permanent publications or columns in the specialized magazines, as well as those addressed to families, in bookstores, in entertainment magazines and so forth.

In order to show the advantages to both partners within the framework of a cooperative action in tourism it is sufficient for us to mention the objectives pursued through this type of cooperation.

1. The growth of foreign tourism demand and the provision of certain permanent influxes of tourists. In this regard, we can note as a successful project the cooperation between the Austrian company Oesterreichische Spelbanken Consulting AG and the Hungarian group Danubius regarding the opening of a casino (hard currency) in the Danubius-Hilton luxury hotel. This transaction also involves certain arrangements involving the United States, Austria and Hungary for attracting North America tourists to the two European countries.

2. The development of the technical-material base of tourism, including imported equipment. Investment capital on the international market, in seeking certain opportunities to invest for a quick and certain return, is directed towards tourism. Thus, Austria has given Bulgarian tourism a credit of two billion Austrian schillings in order to build hotels in Sofia, along the Black Sea coast and in mountain resorts and to equip them with telephones, skiing equipment and air conditioning equipment. At the same time, in cooperation with French companies, a hotel will be built in Bulgaria at the Borovet resort (1,600 meters altitude) having 600 rooms and equipped with recreational facilities for winter sports, hunting, fishing and horseback riding. A consortium of French companies signed a agreement in Peking with the China Travel Service regarding the design,

financing and construction of certain international-class hotels. Similar agreements are being carried out with these groups: Intercontinental, Sheraton, Holiday Inn, Amhurst and Hyalt. Through cooperation actions between the PRC and Australia a series of motels have been built in the tourist regions in northern and southern areas of the PRC worth over \$20 billion. Similarly, Japan Airline, through its subsidiary JAL Development Company, will build a series of category I hotels in the main regional cities and centers in the PRC. During the first 10 years, the management of these units, as well as the personnel training, will be provided by JAL. In the Soviet Union, tourism companies from France, Yugoslavia, Sweden and Finland were involved in the construction of the tourism material base. Thus, three Finnish companies, Polar, Lemminkainen and Haka, together with a North American company - Tower International (which provided the financing) - are building a 1,000-bed hotel in Leningrad, with the end-user being the Soviet tourist organization "Inturist." In Poland, hotels were built with the help of international cooperation with Swedish companies (3), Yugoslav companies (1), French (4), British (2 hotels on the coast) and Finnish companies (2 superior quality hotels and 2 motels).

Certainly, in these cases we are not first dealing with the problem of developing our own housing capacities, but with providing for tourists the environment with which they are familiar in their own countries.

Cooperation can also be achieved through the organisms within the United Nations system. Thus, will build and rebuild freeways in four regions within the framework of a project financed by the Word Bank worth \$785 million, with the International Bank for Reconstruction and Development providing a credit of \$125 million.

3. Cooperation in the achievement of certain tourist projects by granting assistance in the development of certain tourist regions abroad, and eventually through three-way cooperative actions. Among such actions achieved by our country, we can note that the Romanian Enterprise for Construction Abroad, ARCOM, built at Trawemunde, West Germany a large capacity hotel complex, as well as an entire new resort on the coast of the North Sea. Similarly, an agreement was concluded regarding Romania's granting of technical assistance for the development of the Gradani tourist resort in Pakistan.

4. The establishment of certain service units abroad (restaurants, sales exhibits). Currently, Romanian restaurants operate in certain European capitals, as well as in North America.

5. The joint carrying out of certain tourist programs. Among the vast tourist trade programs initiated on the continent, we can note: "The Gothic Year" and "The Roman Year." With regards to the Danubian region, the meetings of the research institutes for tourism in the Danubian countries have identified numerous opportunities to achieve certain joint or connected tourist programs, such as: the ethnography and folklore of the Danubian countries, From the North Sea to the Black Sea, "The Blue Danube," the medieval remains along

the banks of the Danube, and so forth. With the assistance of the IBRD, Kenya and Uganda are achieving such a joint program centered upon visits to the natural reservations in these two countries. Joint actions to promote tourism are also being organized by the Association to Promote Tourism in the Danubian Countries, an association to which Romania belongs. For example, in 1981, this association completed a broad catalogue of tourist activities in the region that was sent to the markets in the northern European countries, North America and Japan. The intensification of cooperation constitutes a priority objective that was dealt with at the Conference of Official Tourism Organisms in the Balkan Countries, with a cooperation agreement being completed in this regard at the 1980 meeting in Belgrade.

6. International cooperation in the field of services. In order to facilitate tourism ties between England and Poland, the initiative was taken to build in Poland two ferryboats, the "Pomerania" and the "Silezia" that will connect the Polish coast with England. The "Pomerania" can transport 1,000 passengers and 270 automobiles, while at the same time having a promenade deck, a 200-seat restaurant, a bar, a grill with 200 seats, a 100-seat nightclub, two conference halls, a movie theater and air conditioning.

The "Hertz" automobile rental company, the largest company of its type in the world, having offices in 110 countries, is represented in Poland by the "Orbis" Tourism Agency with rental offices in Warsaw (at the airport), Katowice, Lodz and other large cities. In Hungary, it is represented by the "Fotaxi" Agency with offices in Budapest (at the airport), Balatonfured, Debrecin and Sopron. Similar agreements also exist with East Germany and Czechoslovakia.

In order to diversify the supply of hard currency goods for foreign tourists offered by the "Korecom" chain, in Bulgaria an understanding was reached with the "Super Rifle" and "Delta" commercial companies in Cyprus to open retail sales stores in the Bulgarian market. The construction of certain balneary resort complexes, such as the ones at Pomorie, Nisipurile de Aur, Albena and in the Sredna Gora Mountains, by Bulgarian tourism organizers, through international cooperation, has led to a strong growth in foreign demand. Thus, by carrying out a construction project in cooperation with Swedish companies at the Drujba balneary resort complex dealing with the treatment of rheumatic and cardiovascular afflictions, there has been an influx of foreign tourists from 37 countries, with the majority of them coming from West Germany.

The conclusion of representational contracts for Romania by our tourism organizers with foreign tourism clubs, as well as by the Romanian Automobile Club with foreign automobile clubs, constitute sources of hard currency from the services rendered. The specific nature of these contracts requires that throughout the entire international network of the club a uniform quality of services must be rendered.

In conclusion, we can say that the advantages that a developing nation can obtain by way of international economic cooperation in tourism are as follows:

- The development of a top branch of a modern economy that is capable of better using domestic resources, benefiting from a relatively constant foreign demand;
- The acceleration of the rate of economic growth through investments having a short investment-recovery timeframe, including short term hard currency receipts, and, therefore, a positive contribution to the balance of foreign payments (under conditions where the payments for vacations are made in convertible currencies);
- The placement of services at the level practiced in Europe and throughout the world and the diversification of services and recreation, with an appropriate influence upon the charges that can be obtained;
- The training of highly qualified personnel;
- The expansion of self-management of tourist locations, including that with regards to the preservation of the natural and cultural heritage.

Certainly, the potential advantages can become real ones only under conditions where the offer of international cooperation can find adequate partners.

Without stressing the attractiveness of the Romanian tourist patrimony, we can note a meritorious work completed by the Research Institute for Domestic Trade and Tourism entitled "The Zoning of Romania for Tourism," which identified over 30 regions of priority tourism interest that are characterized by rich and varied tourist points. In many of the counties throughout the country, the tourism industry can become a basic branch of the local economy that can put local resources to use with a minimum consumption of energy and other industrial raw materials, without pollution and so forth.

In a cultural sense, the on-the-scene understanding of our people's centuries long history has provided revelations even for certain well-informed scholars, who understand that "the rocks of the Dacians speak out."

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